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[F]uture of the
Canadian Financial
Services Sector

Canada's Social Payment Disbursement System and the Financial Services Sector

Moving to a Mandatory Direct Deposit Scheme: The Case of Alberta

by
Michael Grant
Grant Insights

September 1998

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Canada's Social Payment Disbursement System and the Financial Services Sector

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Executive Summary

The purpose of this report is to address the Task Force's information and analysis needs in the area of Canada's social payment disbursement system, particularly as it relates to the financial services sector. The issues discussed in this report are related to section 2 of the Task Force's June 1997 Discussion Paper on the access of low-income Canadians to the financial services sector.

Over 4 million Canadians depend on cash transfers to support their incomes. Low-income recipients are most dependent on mean-tested aspects of the social payment system such as the guaranteed income supplement for seniors and social assistance at the provincial level. These programs have been gradually moving from cheque-disbursements to direct deposit. There is a concern that as systems move toward direct deposit, they require the population to have a bank account in order to get served. About 3 per cent of Canadian adults do not have bank accounts but this figure rises to around 8 per cent among households with income less than $25,000.[1]

A system of direct deposit for social payments has a number of advantages over cheques. For social program administrators, a direct deposit scheme offers significantly lower costs realized primarily in lower administration costs and less fraud and overpayment. Social assistance recipients with bank accounts also realize benefits because of lower incidences of lost or stolen cheques and convenient access to their payment through automated teller machines. Financial institutions also are better off because direct deposit does not require separate process for managing payment risks. Also, direct deposit lightens administrative burdens on branches on payment days.

Despite these clear advantages, the adoption of direct deposit in Canada has been mixed. Some social program administrators are concerned that a direct deposit regime would lead to higher levels of residency fraud. Caseworkers may use cheque distribution as a means of managing their caseload. Direct deposit may also not be appropriate for emergency payments or where clients are geographically removed from the branch network. The likelihood of adopting direct deposit is greater for large programs that are intended to support income for extended periods through recurring payments. Most direct deposit programs are voluntary in Canada.

Social advocates have also pointed out that deposit-taking institutions may be placing formal or informal barriers to low-income Canadians accessing their services. The February 14, 1997 agreement between the industry and the federal government on access addresses many concerns pertaining to formal barriers such as employment status. Some advocates remain skeptical that policy changes will be deployed effectively at the branch level and believe that informal barriers to access will remain. The Canadian Bankers Association has moved to address these concerns by reinforcing the policy at branch level and by training front-line staff.

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[1] See the summary of: ACEF Centre, The Highs and Lows of Access to Banking Services in Canada (Montreal: ACEF, 1996). This statistic is based on the findings of Environics National Omnibus Survey of July 1995. This was based on a telephone survey which may downward bias the estimate of the unbanked.

The main outstanding issue on access is one of identification. In many parts of Canada, there is no low-cost, easily available form of identification that would allow social payment recipients to even meet the relaxed standards of the February 14, 1997 agreement. One form of identification that is often issued to social payment recipients is a provincial health card. Yet several provinces do not allow this to be used as identification for privacy reasons. Programs that have moved toward mandatory direct deposit (e.g. Alberta) have had to manage this issue. They have done so by having a standard form of provincial photo identification and by orchestrating a stepped-up program of having social payments get this identification or in vouching for them at financial institutions.

International examples are distinguished by their use of technology and the degree to which they have moved toward mandatory programs. Although smart cards are not in widespread use in Canada, they have been effectively used in Europe to provide social payment recipients with easy access to their payment and information on their status. Smart cards and debit cards have also been used in the United States, in health care and food stamps.

The federal government in the United States is in the process of moving to electronic fund transfer for all federal payments. In cases like Australia, which like Canada has relatively few unbanked, mandatory adoption of direct deposit has presented few problems. The United States has a higher share of unbanked and therefore is facing issues around how these people will be served under the new system.

Canada's general success at getting people into bank accounts and direct deposit should provide a base for continuing to emphasize voluntary direct deposit. There will continue to be pockets of unbanked and slow adoption by some governments, but it would appear that these cases will gradually disappear through voluntary initiatives to open access and through continual efforts at educating all stakeholders.

1. Social Payments and the Financial Services Sector: An Overview

Introduction

In the second part of its June 1997 discussion paper, the Task Force on the Future of the Canadian Financial Services Sector identified a number of issues pertaining to the accessibility of financial services to the Canadian public. In section 2.11, the Task Force raised the specific issue of access to low-income Canadians, particularly as it relates to identification requirements of financial institutions to open an account or cash a cheque. In this context, the report cited the February 14, 1997 agreement between the federal government and the major banks to facilitate access to banking services.[2]

Since publishing its discussion paper, the Task Force has heard from a number of organizations and individuals on the issue of access to financial services by low-income Canadians. As many low-income Canadians rely on social payments to support their incomes, the Task Force has expressed an interest in gaining a further understanding of the Canadian social payment system. The Task Force is interested in the current nature of these systems and recent developments, especially as these relate to the financial services sector. Moreover, the Task Force is interested in noteworthy international social payment practices and uses of innovative technologies and processes for serving clients.

The purpose of this report is to address the Task Force's information and analysis needs in these areas. The report is based on a review of recent literature and telephone interviews with experts from across Canada (see Appendix A). These experts were drawn from three stakeholder groups: client advocacy and service groups, government and the financial services sector. In addition, international experts were interviewed to explain practices outside of Canada. The report will provide a description of the social payments sector in Canada; an analysis of the factors shaping the social payments systems; and a context for understanding the concerns of various stakeholders on the issue of access.

Background

Over 4 million Canadians rely on social payments to support their incomes. These payments fall into four categories: employment insurance, income support to seniors, disability insurance and financial assistance to low-income individuals and families. Transfer payments to individuals play a critical role in providing insurance and in smoothing inequities in income. Low-income[3] recipients are most dependent on mean-tested aspects of the social payment system such as the Guaranteed Income Supplement (GIS) for seniors, provincial seniors top-ups and provincial

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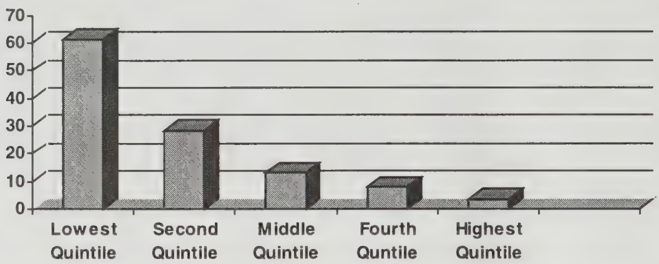
[2] Task Force on the Future of the Canadian Financial Services Sector, *Discussion Paper* (Ottawa: Supply and Services Canada, June 1997), p.p. 11-19.

[3] Statistics Canada bases its low-income cut-off on the percentage that a household spends on necessities, currently defined at 54.7 per cent of household income. The LICO varies according to family size and location.

social assistance (welfare). In 1993, transfer payments accounted for over 60 per cent of the income of families in the lowest income quintile (Chart 1).

Chart 1 : Transfer Payments as a Percentage of Total Family Income by Quintile, 1993



Source: Statistics Canada, Income After Tax, Distribution by Size in Canada (Cat. # 13-210)

In addition to income support, governments may disburse in-kind benefits in the form of training and education credits and vouchers for essentials (e.g. food, shelter, fuel etc.). This report is primarily concerned with the "cash" part of the social payment system, as it is that part that depends heavily on the financial services sector to process payments.

The financial services sector has been transformed by the rapid development of information and communication technologies (ICT). The development of powerful microprocessors and low cost telecommunications has allowed for widespread efficiencies in banking payment processes such as cheque clearing and fund transfers. The same technologies have also greatly improved consumer access (through automatic teller machines (ATM), automated points-of-sale (APS) and the ability of customers to choose financial products. The next technological wave is "smart" cards that contain a microchip that is able to store user information and cash value.[4]

The main barrier to the introduction of these innovations is not technological as much as economic, given high setup costs and the risk that consumers and vendors may not use the new technology. As such, these innovations tend to be introduced gradually after considerable piloting. For instance, smart card piloting is currently being conducted in Guelph and Barrie (Ontario) as part of a series of pilots designed to test the acceptance of North American consumers to smart card technology. Generally, Canadian consumers are accepting of

[4] The key advantages of smart cards is the elimination of a separate clearance process at point of sale and a higher level of security than cash. Typically these cards will have a capacity of 8-16 megabytes compared with debit cards' 200 bytes. For more information on smartcards and the implications of stored value see: Albert E. DePrince, Jr and Ford, William F., "The Privatization of Currency and Seigniorage", *Business Economics*, Vol. 8 (Jan 1997), pp. 25-35.

technological change in financial delivery – Canada has one of the highest rates of ATM usage in the world.

Traditional banking has become less about storage of cash and more about distribution of cash value through information systems. As such, many non-bank players with expertise on information management and dissemination (such as data management companies, telecommunication companies and software companies) have taken a keen interest in this business. For the time being, however, the primary effect has been to automate the processes of traditional deposit-taking financial institutions. Information and communication technology has also empowered consumers to make better choices on financial products, thereby making the market more sensitive to price and return difference. This has prompted deposit-taking institutions to rely less on interest rate spreads and more on service fees for their income.

The same class of information and communication technologies that have improved the efficiency of the retail financial sector are also available to governments to serve their citizens. In recent years, Canadian governments have been faced with fiscal pressures to reduce the cost of service delivery. This has provided strong incentives to use information technologies to reduce administration costs, fraud and overpayment, and to otherwise serve clients more efficiently. These technologies can take a variety of forms including electronic fund transfers, interactive voice response systems, information kiosks and biometric identification.

As with commercial applications, there may be an initial reluctance to adopt these technologies because of client (or indeed public service) resistance. There are also a number of special issues that may further influence the public application of these technologies. Technology that makes it easier to encode and transfer information raises issues of privacy, particularly given the non-voluntary nature of many government programs. Governments need to balance public accountability with an individual's right to privacy and dignity. This is particularly important in the use of technologies for reducing fraud and overpayment. Moreover, government needs to be aware of the broader social implications of its program delivery. Of special interest to social assistance recipients is the need to avoid stigmatization from their need to draw on social assistance.

The social payment/financial service system is one that uses information highly intensively to determine eligibility for benefits, to ensure that these benefits are going to whom they are intended and to make sure that recipients receive their benefits expeditiously. The cost of computer processing of information has fallen by average of about 30 per cent annually in real terms for the last 20 years.[5] As such, with the appropriate checks and balances on the use of information, falling communication costs can provide a basis for making significant improvements to the social payment systems for all parties: governments, clients, taxpayers and financial intermediaries.

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[5] "One World?" *The Economist*, Vol. 345. Number 8039 (October 18, 1997) p. 79.

On the whole, consumers in general and social payment recipients have done rather well out of new technology, particularly in terms of reduced cash-in-hand requirements and better access to account balances as required. However, there is a legitimate concern that these technologies may not be equally available to many low-income Canadians. The concern is that low-income Canadians may be formally or informally excluded from accessing technology because they are unlikely to be profitable customers for financial institutions.

By one estimate 8 per cent of Canadian consumers living in households with annual income of less than $25,000 do not have a bank account[6], compared with 3 per cent for the entire population.[7] Interviews for this study also revealed a wide range of regional estimates of the unbanked, particularly among social assistance recipients. For instance, Saskatchewan estimates that 55-60 per cent of its caseload is unbanked whereas Québec estimates only 10 per cent. One should be wary of these estimates given the paucity of systematic research on this question.

There are many reasons why a person may not choose to have a bank account. For instance, households may assign money management responsibilities to one family member. However, some advocates suspect that a significant portion of the unbanked is due to formal and informal barriers to access. If these barriers do in fact exist, a social payment system that depends on account access to disperse payments can present difficulties for social payment recipients. This report will explore these issues in some depth.

Preview of Sections

This report will begin by providing a basic description of Canada's social payments system and consider some of the factors shaping its evolution. It will continue by looking at the process of social payment disbursements and consider issues of access, efficiency and security. The report will then review noteworthy Canadian and international practices that may guide future Canadian efforts to improve the social payment disbursement system and the way it interacts with the financial services sector. A concluding section will distill the key findings of the report.

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[6] By "bank account" we mean a transactions account provided by a deposit-taking institution. These institutions include banks, trusts, credit unions, caisses populaires and the Alberta Treasury Branches.

[7] See the summary of : ACEF Centre, *The Highs and Lows of Access to Banking Services in Canada* (Montreal: ACEF, 1996). This statistic is based on the findings of Environics National Omnibus Survey of July 1995. This was based on a telephone survey which may downward bias the estimate of the unbanked.

2. An Overview of the Canadian Social Payments System

Introduction

Social policy is constantly evolving to adapt to changing public priorities and new ways of delivering service. There are a number of factors that will shape a social payment disbursement system, including the level of delivery (federal, provincial, and municipal), program objectives, security and client needs.

In recent years, social policy priorities have been shaped by a number of broad trends. Canada's aging population is placing greater emphasis on social insurance programs designed to secure seniors income. Recent reforms to the Canada Pension Plan and the creation of the Seniors Benefit have been undertaken to place these programs on a sounder financial footing. At the same time, there has been a heightened concern for the plight of children living in poverty and the consequent increase in transfers to low-income households with children. Employment insurance and provincial and municipal social assistance have placed greater emphasis on encouraging able-bodied recipients to enter the labour force. Welfare programs are gradually moving away from paternalism toward an emphasis on social mobility through training and employment for those who are able to work.

Of course, another important aspect of Canadian social payments is the division of responsibility between federal, provincial and municipal governments. The federal government has a leading role in seniors' income support, a role that will become more important as Canada's baby boom approaches retirement. The provinces have been provided with greater responsibility for active labour market measures through Employment Insurance reforms.

Within provinces, trends wax and wane between centralization and decentralization of welfare assistance delivery. For example, Ontario's Social Assistance Reform Act (due to come into force in 1998) places greater responsibility on municipalities to deliver social assistance. Meanwhile, Nova Scotia and Manitoba are in the process of centralizing social assistance delivery at the provincial level of government. Inter-governmental co-operation on payment delivery can also affect disbursement practices.

Finally, there has also been a trend toward supporting incomes through the income tax system. For equity reasons, there has been greater emphasis on using tax credits to improve the after-tax position of low-income households. Cash flow to these households has been improved by distributing credits through the tax year, as in the case of the Goods and Services Tax Credit.

These trends are relevant to social payment disbursement systems because they fundamentally change the structure and decision-making dynamics of social payment disbursements. For instance, the calculus of a direct deposit system will vary according to the scale and geographic disbursement of a program. Metropolitan Toronto's social assistance caseload is about the same size as all of Atlantic Canada and this has affected its movement to direct deposit. Similarly, the permanence of a program will greatly influence the desirability of moving to large-scale disbursement systems, both for reasons of cost and the optics of the program.

Long-term programs can entail high initial set-up costs at both the system and individual levels. These costs are easily recouped for large-scale programs that disperse over relatively long periods, like seniors income support. But the calculation can be rather different for a program that is designed to provide emergency assistance or one that is transitional, like short-term income support for the unemployed. Client turnover is therefore another consideration when choosing a payment system.

A Taxonomy of Canadian Social Payment Disbursements

Table 1 provides an overview of the key social payment programs at the federal, provincial and municipal levels. The table focuses on cash transfers as these rely on the financial services sector for processing. These transfers are often complemented by in-kind benefits, particularly health, training, shelter and food benefits. This class of benefit may take the form of direct payments to goods and service providers or purchase orders.

The table is based on fall 1997 data that was collected through interviews for this study. It shows the number of recipients; actual beneficiaries will tend to be about twice the level of recipients. In addition, there are differences in payment disbursement schedules. Most of the payments listed in Table 1 are disbursed on a monthly basis. Noteworthy exceptions include the federal Goods and Services Tax Credit (quarterly), Newfoundland social assistance (semi-monthly) and Employment Insurance (bi-weekly).

Table 1: Social Payment Disbursements in Canada, Cheque Versus Direct Deposit, Fall 1997

Payment	Recipients (Cases)	Cheque %	Direct Deposit %	System Notes
Federal				• **Federal programs have offered a direct deposit option for about 7 years. This option is marketed on a program-by-program basis.**
Old Age Security	2,916,510	18	82	• Seniors have been quick to adopt direct deposit voluntarily
Canada Pension Plan	2,573,571	19	81	
Employment Insurance	1,500,000 (est.)	99	1	• bi-weekly payments • recently been piloted in municipal areas • adoption of direct deposit reaches 35 per cent quickly in pilots • concern about entry and exit costs of direct deposit • need flexible system that can deliver assistance and withdraw assistance quickly
Income tax refunds	2,727,724	77	23	• one-time nature of payment leads to low adoption
Goods and Services Tax Credit	3,048,060	63	37	• Income tax system increasingly used to qualify people for benefits • Tax credits are distributed on monthly basis
Child Tax Benefit	2,068,765	28	72	
Provincial				
Newfoundland				• Newfoundland is only province that issues social assistance cheques semi-monthly. The province issues close to 80,000 cheques every month
Social Assistance	33,700	100	0	
Nova Scotia				• Currently being centralized
Family Benefit Municipal social assistance (Income Assistance) Municipally-delivered	32,000 10,000 7,000	50 65 100	60 35 0	

Table 1 (Cont.) : Social Payment Disbursements in Canada, Cheque Versus Direct Deposit, Fall 1997				
Provincial				
Prince Edward Island				• PEI is now reviewing direct deposits and smart cards
Financial Assistance	5,600	100	0	
New Brunswick				
Social Assistance	35,000	100	0	• have looked into direct deposit but have rejected for now • use cheque distribution to verify residency
Québec				• Québec introduced a voluntary system of direct across its system in January 1997 • The Family Allowance portion of social assistance had already achieved direct deposit rates of 80%
Social Assistance	431,234	56	44	
Ontario				• Ontario is in the process of decentralizing social assistance
Family Benefits General Welfare Assistance (municipally distributed)	304,000 271,000	17 56	83 44	
Manitoba (average 1996/97)				
55 Plus Child-related Income Support Social Allowances	18,081 3,365 25,730	100 100 100	0 0 0	
Saskatchewan				
All income support programs	84,132	87	13	• figures include Saskatchewan Assistance Plan; Family Income Plan; Saskatchewan Income Plan; Child Care Subsidy; Foster Care; Family and Youth Services and Community Living Allowance

Table 1 (Cont.) : Social Payment Disbursements in Canada, Cheque Versus Direct Deposit, Fall 1997

Payment	Recipients (Cases)	**Cheque %**	**Direct Deposit %**	**System Notes**
Provincial				
Alberta				• As of July 1997, Alberta moved to compulsory direct deposit • cheque figures may be inflated by third party payments
Seniors Benefit Alberta Widows Pension Support for Independence Assured Income for the Severely Handicapped	81,000 1,595 36,577 21,827	67 1 35 22	33 99 65 78	
British Columbia				• within last year implemented direct deposit program
Seniors Supplement *BC Benefits* (income support components)	81,051 177,000	66 85	34 15	
Yukon Territory				• Yukon issues cheques by hand
Social Assistance Yukon Senior Income Support	800 n/a	100 100	0 0	
Northwest Territories				• NWT issues cheques by hand.
Social Assistance Seniors Assistance	5,000 900	100 100	0 0	
Municipal Examples				
Halifax				
Family Benefit Short Term Assistance	31,000 10,000	50 70	50 30	
Metro Toronto	90,000	35	65	• March 1998 will begin piloting a master account debit program with Citibank.
Ottawa-Carleton	27,000	20	80	
Peel				• a pioneer on direct deposit in Canada
General Welfare Assistance Family Benefit for Sole Support Parents	9,000 9,000	2 2	98 98	
Winnipeg (Social Assistance)	15,542	30	70	• In 1998, Winnipeg will be incorporated into the provincial disbursement system

Source: Federal payments are based on Public Works and Government Services Canada
Provincial and municipal payments are based on interviews with provincial and municipal representatives
(See Appendix A for list of sources)

Choices on Delivery Mechanisms

Table 1 also highlights disbursement mechanisms, focusing on those systems that are cheque-based versus direct deposit. These are the two mechanisms that social assistance agencies use to address the cash needs of their clients. In the past, some assistance used to be provided in cash, particularly at the municipal level, a practice that no longer exists. On the other hand, aside from piloting (see part 4 below) no jurisdiction has adopted innovations such as smart cards to disburse income support.

There is a fairly wide range of disbursement practices across Canada. The likelihood of adopting direct deposit is greater for large programs that are intended to support incomes for extended periods through recurring payments. This accounts for the high share of direct deposit in programs such as Canada Pension Plan, Old Age Security and the Child Tax Benefit. Geographic concentrations of clients can also be an important consideration primarily because of improved accessibility to an account at a deposit-taking institution. This explains the relatively high share of direct deposit among larger municipalities in provinces with decentralized disbursement systems.

Structural Issues and Disbursement Methods

It is interesting to note the relationship between disbursement level (federal, provincial or municipal) and the disbursement method. The constitutional division of responsibilities, federal-provincial co-operation, and provincial legislation will influence disbursement choices. One outcome is "bootstrapping", whereby direct deposits increase because of harmonization between a federal program and a provincial program. An example of this is Saskatchewan and Northwest Territories, both of which have arrangements to disperse provincial seniors benefits through the federal system. As the federal system has moved toward direct deposit, harmonization has effectively migrated provincial recipients to the federal method of disbursement.

However, the opposite result can also occur. Dartmouth, Nova Scotia had been one of the leading municipalities in adopting direct deposit, having begun its program in the mid-1980's. Last year, the province began assuming responsibility for social assistance. Although recipients were allowed to continue with direct deposit, there was a short period when recipients were put on cheques as the provincial system was changed to accommodate direct deposit. In this process, the number of recipients served by direct deposit was reduced, as recipients did not switch back once they were put on cheques.

Direct deposit rates can also increase when programs are harmonized as is the case with the new Seniors Benefit that will combine the Old Age Security and the Guaranteed Income Supplement. Given the overlap in the client base of the various federal government income support programs and the income tax system, there would appear to be considerable scope to harmonize payments. This has not occurred yet because there are privacy concerns about centralizing all federal government client information in one database.

Although not shown in Table 1, social assistance to First Nations is entirely cheque-based. With a few exceptions, social assistance levels to First Nations are in accordance with provincial

eligibility rules. Local bands will administer disbursements under either contribution agreements or block arrangements with Indian and Northern Affairs Canada. This usually leads to highly devolved payment systems that are served through cheques.

System Issues and Disbursement Methods

Apart from structural reasons already mentioned, there are a number of other reasons why direct deposit adoption rates vary across Canada. The most important relate to differing interpretations of costs and benefits; intertwined systems where cheque distribution is strongly tied to system policing; staff resistance; program intentions and optics; and client preferences. Each of these reasons will now be discussed.

Cost-Benefit Calculations

In an environment of fiscal tightness, a number of jurisdictions have been swayed by the lower cost of disbursing income assistance via direct deposit. These cost savings materialize in two ways: lower administration costs and less overpayment and fraud. The lower administration costs come from significant reductions in bank charges. A good example is Alberta, where it was calculated that the provincial treasury would save 60 cents per payment (about $500 thousand annually). Ottawa-Carleton, with a caseload of about 27,000, calculated that it would save around $160 thousand annually once its direct deposit scheme is fully implemented.

Another major administrative cost saving comes from reductions in tracking down and re-issuing lost or stolen (or "stolen") cheques. One interviewee estimated that the cost of cutting a replacement cheque could range upwards of $75 per cheque in administration costs. For Ontario, the bulk of the savings from moving to direct deposit will actually be program savings through reductions in duplicate cheques and reduced fraud. Program costs for fiscal 1997-98 have been calculated as being $7.2 million lower than in 1990-91 through these savings. This compares with administrative savings of $1.2 million.

A number of public administrators pointed to the major cost savings, at the margin, as being reductions in program costs by ensuring a closer link between genuine eligibility and payment. Efficiencies have already been made in the process of large-scale cheque-cutting and mailing thereby reducing the marginal impact of these efficiencies. There continues to be a great deal of correspondence between agencies and recipients, so the marginal costs of large-scale cheque distribution, in and of itself, is not great. The main problem lies in delivering the payment through the mail system and verifying payment as opposed to issuance. In addition, the banking system will pass along cost savings from direct deposit in lower prices.

The cost-benefit analysis of moving to direct deposit is not always straightforward. In the first instance, there can be considerable up-front costs to moving to a direct deposit scheme. These costs may be difficult to incur during periods of fiscal retrenchment. Also, depending on the configuration of public accounts, a line department that could realize the longer term savings from direct deposit may have little incentive to implement because the department may not be able to capture these savings in their spending envelope. Most importantly, there may be other considerations that override the clear cost advantage of direct deposit.

Intertwined Systems of Disbursement and Policing

One such consideration is a concern about violations to residency requirements that are a standard criterion for granting low-income assistance (as opposed to, say, the Canada Pension Plan that lacks this requirement). Several provinces that had not implemented direct deposit indicated that this was a major concern. For instance, New Brunswick has a system where cheques are dispersed through twenty-one service points through the province. These service points combine cheque disbursements with system policing. It was estimated that a direct deposit scheme would actually increase total program costs as the cost of re-issuing cheques is only about a quarter of the estimated increases in program costs due to potential violation of the residency requirement.

For provinces that have moved to direct deposit, this concern was fairly minor because they had put other systems in place to police residency. Moreover, interviews revealed that residency fraud varied considerably with the sub-group of clients. For instance, it was considered unlikely that seniors who qualified for income supplements would be on the lam in Florida. This realization allows social assistance agencies that are concerned about residency fraud to focus on those parts of the client base that are at higher risk of violation. There are a number of other case management methods (e.g. reporting systems) that allow a social assistance agency to both realize the savings from direct deposit while reducing the risk of residency fraud.

Staff Resistance to Change

A related issue to intertwined systems is staff resistance to change. This was mentioned by several public sector direct deposit advocates as a barrier to moving to direct deposit. In some instances, direct deposit may be seen as a threat because the cheque distribution system is viewed as a method of client control. This is most likely to occur in systems where case workers are actively encouraged to manage a transition from social assistance to employment and where the threat of payment withdrawal is used as a disciplinary tool. In the absence of other control systems, some case workers may feel that direct deposit reduces their ability to manage effectively.

Program Intentions and Optics

The point has already been made that direct deposit works best in automating large-scale payment distribution. There are, however, aspects of the social assistance disbursement process that do not lend themselves to large-scale distribution. For instance, there is a need for a rapid response mechanism in cases where clients are faced with an emergency. These are essentially non-recurring payments that respond to immediate need, often for recipients who are just joining the case-load. As it can take up to 3 days to establish direct deposit for a client, there is a need for a short-term mechanism. In the case of Winnipeg, for instance, new clients are either provided with a cheque or access to a master account through social assistance identification.

The relatively low rate of adoption for the federal Employment Insurance program highlights another issue. For programs that are geared to short-term transition, direct deposit may not be considered appropriate. This is because of the relatively high entry and exit costs in both time

and administration expense of signing someone onto direct deposit (particularly when the recipient is unbanked). Moreover, offering direct deposit may provide the wrong optics with regard to the transitional nature of the program. This issue was also raised with respect to welfare assistance, which is increasingly viewed as a transitional program for a significant portion of the client base. Multi-benefit programs like Employment Insurance may have some aspects that lend themselves to direct deposit (e.g. maternity benefits) yet these get swept up by the dominant benefits features that are for short term transition to employment.

Client Preferences Versus Standards

All social programs face the challenge of balancing program standards with client needs. This is especially true for social assistance programs that are designed for the socially, physically or mentally disadvantaged. Tough standards on disbursements methods is generally at odds with Canadian mores on providing assistance with compassion and minimizing further burdens on recipients. Fortunately, when it comes to direct deposit, there is considerable scope to realize administrative cost savings while also serving clients better. Exhibit 1 organizes direct deposit adoption rates according to the degree of standard.

Exhibit 1: Penetration of Direct Deposits and Standards

	Penetration of Direct Deposit		
Standard on Direct Deposit	**Below 20%**	**21-50%**	**Over 50%**
Low standard and weak encouragement to switch	• Newfoundland • Prince Edward Island • New Brunswick • Manitoba • NWT • Yukon		
Voluntarism but active encouragement to switch	• Federal Employment Insurance • Saskatchewan • British Columbia	• Federal Guaranteed Income Supplement • Nova Scotia • BC Senior Supplement • Ontario GWA • Québec	• Federal Canada Pension Plan • Federal Old Age Security • Ontario Family Benefits • Metro Toronto (current)
High standard and strong encouragement to switch			• Alberta • Winnipeg • Ottawa-Carleton • Peel • Metro Toronto (1998 pilot)

Source: Interviews for this study

Clearly the first step in adopting a standard on direct deposit is for public authorities to be convinced of the cost, security and client service advantages of direct deposit. If this case is made, the jurisdiction is then faced with a decision on the degree of volunteerism. Even jurisdictions that have ultimately moved toward a higher standard began with gradual

implementation based on client choice. For instance, Alberta began its program by offering it to the less transient parts of its client base (e.g. widow pensioners) and has gradually moved toward a standard for other programs.

Typically, implementation involves addressing two types of client resistance to direct deposit: soft-core resistance based on fear of change; and hard-core resistance based on genuine concerns about access and security of income. Social assistance agencies need to address both types of resistance if they are to successfully implement direct deposit, or, for that matter, any other financial innovation.

Soft-core resistance includes such issues as the psychological comfort of being able to "see my money" or distrust of unfamiliar accessing technologies like automated teller machines (ATM's). These fears are not unlike those experienced by the general retail market when new banking technologies are introduced because of the close relationship between money and personal security. (Hence the reason why new banking technologies are always subject to rigorous piloting). It helps when a method has been widely accepted by the retail market as this reinforces social assistance recipients' sense of safety and reduces stigma.

These fears are generally overcome through education and experience. A good example is the introduction of direct deposit for federal seniors income supports and pensions. Since the early 1990's, direct deposit has been offered (on a voluntary basis) for Old Age Security/Guaranteed Income Supplement (OAS/GIS) and Canada Pension Plan benefits. Within a couple of years, about 35 per cent of the client base had moved to direct deposit simply by the option being advertised with cheques. Then two quintessentially Canadian events occurred that highlighted the convenience of direct deposit to clients—winter and a postal disruption. These events ratcheted up the rates of adoption to the current level of 80-per cent. "Ratcheting" is an appropriate description since there is virtually no movement back to cheque once direct deposit has been chosen.

Hard-core resistance is another matter, and is somewhat more difficult to overcome. Direct deposit may not be an option for people who have difficulty accessing deposit-taking financial institutions. A certain part of the client base may, for instance, be geographically removed from convenient branches and rely on other intermediaries for cash-chequing services (e.g. grocery stores and bars).

Quite apart from this, there is the very real concern of seizure of funds. This is especially so for people on social assistance, who by definition have very low income and few assets. Legally, social assistance payments cannot be garnisheed (although new legislation in Ontario will allow this for child support payments). Nevertheless, once a payment is deposited to an account and mixed with other funds, it can technically be subject to seizure pursuant to a court order for debt collection. Nonetheless, provincial and municipal administrators who had moved aggressively into direct deposit reported very little problem with seizure. In Peel, which is one of the leaders in direct deposit in Canada, there has been very little problem with seizure. Dartmouth actually had developed an understanding with local financial institutions that they would not seize social assistance payments and the few cases that did arise were managed informally between the municipality and local branches.

Social advocacy groups have also raised the issue of some social assistance recipients being denied access to a bank account due to their diminished circumstances. (This issue will be looked at in greater depth in the next section). Jurisdictions that have moved to a standard on direct deposit have had to spend some time managing access. This usually sees the social assistance agencies work actively with deposit-taking institutions to raise awareness of clients' needs, improve client identification and educate clients on the right products.

In Alberta, Dartmouth and Ontario municipalities, there has been a systematic effort at working with the local banking community to improve access. Alberta already had a vehicle for providing driver license-type photo identification for any citizen who lacked identification. Alberta's identification scheme still depends on having two pieces of identification (one photo) before provincial photo identification can be issued. In this sense, there is no difference between the Albertan photo identification and existing bank requirements for identification. The important point, in the case of Alberta, is not so much the existence of photo identification but the willingness of the provincial social assistance agencies to manage the identification part of their direct deposit regime. [8] One of the non-government leaders in improving access to financial services to low-income people in Alberta, the Bissell Centre in Edmonton, indicated that Alberta's move to direct deposit has greatly improved service to inner-city clients.[9]

Conclusion

This section has considered some public policy and implementation issues relating to choice of disbursement method. While there are a number of objections to direct deposit, on balance a direct deposit regime is clearly preferable to cheques from a public administration standpoint. However, this section has alluded to the fact that disbursement choices will be very much conditioned by the interactions between the client base and the financial services sector. As such, the study will continue by looking more specifically at the process of social assistance disbursement and the processing of payments through the financial services sector.

[8] There has been some concern expressed by the banking community about due diligence in issuing this identification.

[9] For an interesting perspective on the needs of inner city low-income recipients see: Scott Smillie, *Banking and Money Management: A Needs Assessment of Inner City Agency Clients* (Edmonton: Bissell Centre, 1990).

3. Processing Social Payment Disbursements Through the Financial Services Sector

Introduction

The social payment system has always relied on the financial service sector as a key intermediary in processing payments. Governments work closely with the financial services sector to ensure that the payment system is current with banking practices and technology. The financial services industry not only plays an important role in the processing of payments but also as a further check on the integrity of the social payment system through its payment clearance system.

Social assistance agencies and advocates have raised the possibility that financial institutions are not adequately serving low-income customers because they are unprofitable and that such institutions discriminate based on a mistaken notion that these customers pose a higher risk. They argue that deposit-taking institutions place formal and informal barriers to access and generally discourage low-income customers from using their services. As many low-income individuals rely on social assistance to support their incomes, there is a particular concern that the movement toward direct deposit effectively reduces options for processing payments to deposit-taking institutions.[10]

The deposit-taking institutions counter that they have made significant strides to improve service for all customers. They have developed basic banking products that are priced competitively; improved access through investments in automated teller machines (ATM's); reduced identification, employment and credit history requirements for opening an account; and engaged front-line staff in training to be more sensitive to the needs of low-income clients.

Both sides in the debate feel strongly about their position. Yet the debate lacks a firm basis in facts. For every stated improvement in client service, there is an anecdote about a low-income customer being discriminated against by a financial institution. It becomes difficult to formulate sound public policy in this area because it is difficult to distinguish fact from rhetoric.

This section will review the legitimate needs of three main stakeholder groups: government payers, social assistant recipients and financial institutions. It will then map out the process by which social assistance recipients receive and process their payments with an eye toward identifying possible breakdowns in the system. To the extent possible, it will try to situate stakeholder concerns in relationship to the current facts.

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[10] This line of argument is pursued in: L'Association coopérative d'économie familiale-centre, L'accèss aux services bancaires pour les personnes à faible revenu: une perspective économique (Montréal: ACEF, 1995).

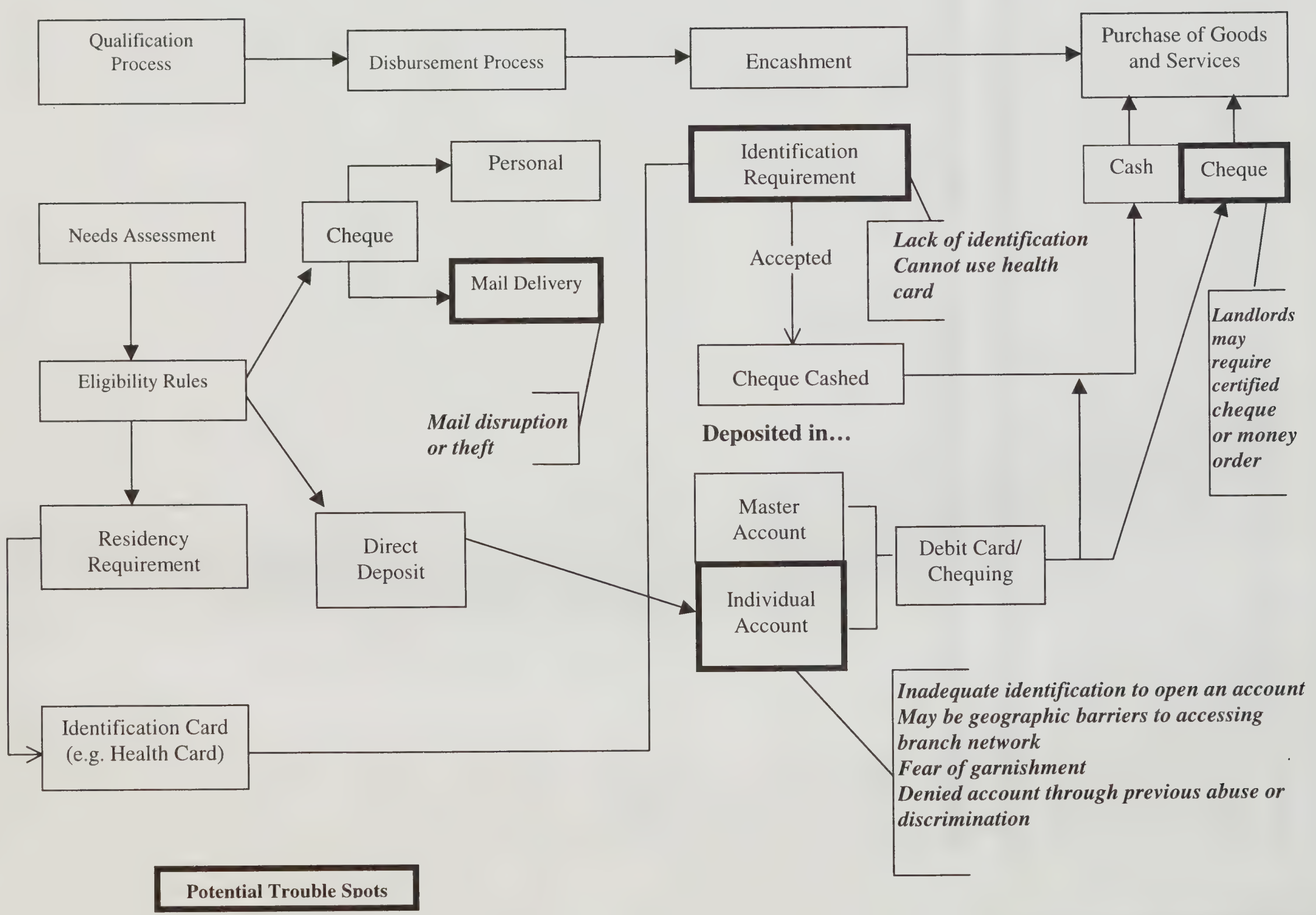
Needs and Constraints of the Stakeholders

Before analyzing the process of social payment disbursement, it may be worthwhile to consider some of the needs and constraints of the three main stakeholders (recipients, social assistance agencies and financial institutions). These are summarized in Exhibit 2 and grouped according to three considerations: legal requirements, security considerations and access and costs. The columns are organized in this way to distinguish those aspects of the system that are basic standards (i.e. legal requirements) from those that are issues of corporate policies, practices and preferences (security and access).

Exhibit 2: Needs and Constraints of Various Stakeholders

	Constraints and Needs		
	Legal Requirements	**Security Considerations**	**Access and Cost**
Social Payment Recipient	• Fulfill residency and other residency requirements of assistance • Provide ID as per Indemnification agreements	• Limited scope for payment to be interrupted (mail or theft) • Ability to access cash in small amounts reduces	• Limited cash flow; ease of accessibility to funds • Low costs to access (transportation costs; service charges) • Easily understood benefit structure and banking products • Respectful service
Social Assistance Agency	• Distribute payments according to relevant Acts • Indemnification agreements	• System integrity; limit fraud and overpayment	• Ensure benefits go to the eligible recipients • Manage transition from dependence on social assistance to independence • Efficient distribution of benefits • Correct optics around program
Financial institution	• Proceeds of crime (money laundering act) • Indemnification agreements • Privacy laws on use of identification	• Fiduciary responsibilities to regulators, depositors and shareholders	• Limit account abuse • Open access to public • Customer satisfaction • Price products according to cost of service

Exhibit 3: Map of the Social Payment System



This is an important distinction because it aligns well with a range of possible policy responses. For instance, issues around access and cost may be best dealt with through competition, education of clients and co-operation among the various stakeholders. Others may be skeptical of the extent to which corporate policies and practices can effect change, and therefore tend to argue for higher legal or regulatory standards.

Each stakeholder has legal rights and obligations under the social payments system. For recipients, these include eligibility requirements that are tied to residency and need. Recipients may also be required to report regularly as a condition of continued eligibility. Social assistance agencies are governed by the relevant statute of federal or provincial parliament, which can have important implications for disbursements. For instance, Ontario's Social Assistance Reform Act will have ramifications for eligibility for benefits (particularly for the employable) and the possibility of garnishment for child support.

In processing payments, financial institutions are governed by the Proceeds of Crime (Money Laundering) Act that requires one piece of signed identification to process a cheque. In addition, financial institutions will have indemnification agreements with various jurisdictions that often require two pieces of signed identification. These agreements formalize the conditions under which a financial institution will accept a cheque and be confident that it will be covered. The federal government and the larger provinces and Metro Toronto have agreements in place for indemnification whereas the smaller provinces and municipalities often will tend to rely on informal arrangements.

Mapping the Social Payment System

The legislated framework provides the minimum level of standard for social payments. Of greater importance to the average recipient are the practices of governments and financial institutions in issuing and processing payments. Exhibit 3 maps out this process into its constituent parts: qualification of benefits, disbursement, encashment and the purchase of goods and services. Each one of these steps will now be analyzed within the context of the above-mentioned needs and constraints. Stages in the process that are potentially problematic are highlighted with dotted lines and notes.

Qualification

Depending on the nature of the benefit, full qualification can take 3 to 10 weeks to process. This process can be complicated if an applicant has recently moved from another jurisdiction. A social worker in Metro Toronto noted that it could take up to 7 weeks to obtain a birth certificate from New Brunswick. These delays have led to the development of short-term assistance mechanisms that allow social assistance case workers to provide immediate support while processing qualifications.

Often these short-term support payments present a claimant with his/her first challenge in processing a payment. Suitable identification is a common problem, which creates an immediate difficulty in processing the payment through the financial services sector. Some jurisdictions

manage this issue by having arrangements with local banks to vouch for the claimant or, as in the case of Winnipeg, allow them to draw on a master account.

Although not widespread in Canada, the idea of establishing a master account does have some appeal. Such accounts are opened in the name of the government administrator with the client having access privileges that are restricted to their pre-authorized balance. Clients are issued a debit card that allows for ATM access and that doubles as a recognized form of identification. Typically, a client will be allowed a small number of withdrawals for free and be charged for additional withdrawals. This type of system is most appropriate for longer-term support programs, like welfare. Metro Toronto provides a good example of this type of program in practice (see para. 4.1.4).

As Exhibit 3 shows, one of the outcomes of the qualification process can be the issuance of identification. For instance, social assistance recipients may be provided with a health or pharmacare card to receive in-kind benefits. The main problem is that these pieces of identification are not always legal for financial service identification. Practices vary considerably across Canada on the use of health cards for identification. Nova Scotia does allow use of its pharmacare card, whereas Ontario, Québec, Prince Edward Island and Manitoba do not allow use of their health card.

The denied use of identification is based on legitimate concerns over client privacy. Specifically, there is a concern about having health card numbers widely available that may raise the prospect for matching health card numbers to health records. The concern is not only that a person's privacy may be violated but also that health records could be used as a reason for discriminating against a customer for, say, insurance. However, it does point out a possible breakdown in the system of qualification that can cause problems for applicants when seeking to cash payments or open an account.

Disbursement

Social payment disbursement can present other challenges to recipients. A common complaint is that cheque-based disbursements can be subject to a high degree of disruption and inconvenience. The most common inconvenience takes place through the mail system. Interviews with community organizations and advocates revealed a number of problems with mail distribution of cheques, particularly in having cheques lost or stolen. Stories abound of thieves following postal deliverers on their route and stealing cheques from postboxes. Not only does this create inconvenience for the recipient, but also entails considerable costs for social assistance agencies in re-issuing cheques and tracking payments.

Of course, many of these problems are completely eliminated through electronic funds transfers. The main efficiencies lie in the reliability and tracking of a coded data system as opposed to a paper-system. As a general rule, the fewer steps in a process, the less likelihood of errors. Cheque-based systems rely on two further stages that are absent from direct deposit: postal delivery and individual encashment. These two additional stages are the sources of significant inefficiencies in the disbursement process.

Encashment

The encashment of payments presents other challenges, particularly for low-income social payment recipients. Cheque-based systems require recipients to go through another step on encashment that creates inefficiencies and costs for the system, some of which are borne by the recipient, others by the social payment agency and still others by the financial institution.

Cheque transactions require further steps beyond direct deposit in processing due to the need of the financial institutions to manage payment risk. Essentially, this issue arises because of the need to verify two facts for every payment: the identity of the recipient and the integrity of the payer.

There are a number of ways that financial institutions will manage this payment risk. The first is by independently verifying the identity of the recipient. Current bank policy requires two pieces of identification with photo identification being desirable yet not mandatory. This new policy came into force early in 1997 as a result of ongoing discussions between the federal government, the industry and social advocacy groups on improving access (see Exhibit 4).

In addition, each financial institution will have a policy on holding cheques if there is a possibility that the cheque will not clear. If the cheque is drawn at the institution where it is being cashed, then there is usually no hold on the cheque. However, if it is drawn on another financial institution, holds can range from 5 to 10 days. Factors that affect hold policy include whether the cheque is drawn at the institution where it is being redeemed; the distance between issuer and the redemption institution; and the branch's experience with the payer. One might think that this would not be a problem for government-issued cheques, but the financial institution has to go through the same procedure regardless and some government departments may have a record of not clearing cheques expeditiously.[11]

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[11] Canadian Bankers Association, *Fast Facts*, August 1997, p.2.

Exhibit 4: February 14, 1997 Agreement Between the Federal Government and the Major Banks on Access

1. Only two (decreased from three) pieces of signed identification (I.D.) will be required to open accounts or cash cheques, with photo identification being desirable but not mandatory. Sponsorship from responsible customers known to the branch will be accepted.
2. Bank policies on "holding" or "freezing" deposited funds will be clearly explained to customers.
3. Employment will not be a condition of opening a bank account.
4. Minimum deposits will not be required to open a bank account.
5. Staff will be trained to follow their bank's I.D. and hold policies and be sensitive to the needs of low-income individuals.
6. Staff will be reminded of the need for all customers to be treated with fairness and respect.
7. More information and training, developed in conjunction with national and local community groups will be provided to low-income groups to help them become more knowledgeable about and comfortable with using banking services.

Source: Based on Federal Department of Finance news release cited in: Task Force on the Future of the Canadian Financial Services Sector, *Discussion Paper* (Ottawa: Supply and Services Canada, 1997). p. 16

These policies can create a number of difficulties for social payment recipients. Low-income recipients typically have very tight cash flow requirements and can scarcely afford to have payments delayed. In many parts of Canada, there is no easily-available identification that is acceptable for cashing cheques or opening an account. Most identification tends to be tied to employment, assets or special status (Exhibit 5).

Social assistance agencies, financial institutions and recipients undertake several measures to overcome this problem. For instance, governments will negotiate indemnification agreements with banks that reduce the need to place holds on government-issued cheques. The agreements will typically specify the type of identification that is acceptable for encashment. These agreements will frequently prompt social assistance agencies to ensure that recipients have the type of identification specified by the indemnification agreement or otherwise make arrangements with participating institutions to vouch for the identity of the recipient. The federal government has indemnification agreements that cover cheques up to $1,500, Alberta up to $1000 and British Columbia has no limits but does have stringent identification requirements.

Exhibit 5: Identification Allowable Under Canadian Bankers Association (CBA) Agreement : August 1997

Age of Majority Card
Bank or automatic teller card from reputable financial institution
Birth Certificate
Canadian Citizenship Card
Canadian Passport
Credit Card with Signature
Drivers License (valid and issued in Canada)
Employer identity card with photo (well known employer)
Health Insurance or Pharma-care (not allowed in Manitoba, Ontario, Prince Edward Island and Québec)
Indian Status Certificate
Personal reference by known client
Social insurance card
Social payment agency verification

Source: The Canadian Bankers Association

Financial institutions have a fiduciary responsibility to protect shareholders, employees and other depositors from bearing the cost of invalid and fraudulent cheques. The Canadian Bankers Association estimates these losses to be "millions of dollars" annually.[12] Meanwhile social advocacy groups can rightly point to incidences where customers have been treated with disrespect and have been discouraged from using banking services. This tends to be a particular problem in branches that have a history of losses due to invalid and fraudulent cheques. These branches will often implement "localized loss reduction initiatives" that may see them be more vigilant in checking identification and holding cheques. There is no evidence that social assistance recipients are any more likely to act fraudulently than any other socio-economic group.[13] Yet they may pay a price because of negative social attitudes toward social assistance recipients.[14]

The problem is apparently intractable because there are literally hundreds of millions of interactions annually in a cheque-based social payments system. Moreover, the pricing of cheque-cashing is, at best, imprecise. For major financial institutions, chequing is priced at the issuer level. Across the banking system, this type of pricing generally does not create a problem as the revenue from cheque issuing tends to balance out with cheque redemption. However, some branches may disproportionately bear the cost of cheque redemption, both in terms of staff time and cheque clearance costs. These branches may be under formal (or more likely subtle) pressure to discourage cheque-cashing, particularly among social assistance recipients.

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[12] CBA, *Fast Facts*, p. 3.

[13] Canadian Bankers Association and advocacy groups that have seriously considered this issue (most notably Option consommateur) agree on this point. For an analysis, see *L'Association coopérative d'économie familiale-centre, L'accèss aux services bancaires pour les personnes à faible revenu: une perspective économique* (Montréal: ACEF, 1995).

[14] These negative attitudes have been documented in: The Social Assistance Review Committee (Ontario), *Transitions* (Toronto: Ontario Ministry of Community and Social Services, 1988), Chapter 7.

This is a root cause of reported incidences of poor service that has been experienced by some social assistance recipients. For instance, one interviewee related an incident where a branch would create a separate, well-marked queue for social assistance recipients on monthly cash-chequing day. Queuing is a standard method of managing short-term resource constraints or inefficient pricing in many parts of the economy. But for social assistance recipients, high-profile queuing can only worsen feelings of stigma.

Exhibit 6: Prices of Basic Banking Packages Compared with Money Marts, December 1997

Institution	Branches	Product	Annual Cost ($)
Royal Bank of Canada	1596	Signature Plus	12.00
Bank of Montreal	1160	First Bank Chequing	36.00
CIBC	1428	Regular Service Charges	40.80
Canada Trust	n/a	Regular Service Charges	48.00
Laurentian Bank	249	Regular Service Charges	36.00
Mouvement des caisses Desjardins	1465	Autonomous Plan	72.00
Scotiabank	1236	Regular Service Charges	24.00
Toronto-Dominion Bank	966	Moneybuilder Account	24.00
Money Mart	**90**	**Monthly cheque cashing**	**207.96**

Assumes: One direct deposit per month of $520 (Metro Toronto welfare payment for a single person), 4 withdrawals (2 at the institutions automated teller machine and 2 through INTERAC) for banks compared to cashing monthly cheque at Money Mart.

Source: Based on advertised rates on Internet. and telephone survey. Branch numbers are from ACEF Centre, *The Highs and Lows of Banking Services in Canada* (Montreal: ACEF, 1996).

This may explain the growth of the cheque-cashing sector in Canada, which notably employs a more specific pricing system for cheque-cashing services. For instance, Money Marts charge 2.95 per cent of the value of the cheque plus $1.99 per cheque cashed. These charges represent the higher costs of doing business in a highly segmented and higher risk market. Money Marts negotiate cheques prior to their due date but charge higher fees for this service. Banks charge no fees for cheque cashing but tend to use holds and queuing to manage risk and administration costs. There are other recipients (particularly those that are geographically removed from branches) that may use other intermediaries to cash cheques (grocery stores and bars), but interviews revealed that this accounts for a very small percentage of total social payments.

A basic comparison of cheque cashing options between Money Marts and major financial institutions basic accounts highlights the relatively high cost of the former option for social assistance recipients (Exhibit 6). The assumptions governing Exhibit 6 are very restrictive given the need to compare the cheque-cashing option with a similar option with the banks. Even then, the direct deposit with deposit-taking institutions still allows the recipient greater convenience (through periodic access with ATM's) at a much lower cost. Most major financial institutions offer a monthly package for $2 to $6 dollars that includes more than adequate financial services for low-income households. Cashing cheques with suitable identification and, better still, having

an account at a financial institution are clearly a more cost-effective way for recipients of social assistance to process their payments.

Some recipients (although it is difficult to say exactly how many) continue to use Money Marts. A Metro Toronto study found that 9 per cent of those recipients *with bank accounts* still used cash-chequing institutions.[15] The reasons given by the cheque-cashing sector are that they offer friendlier service, convenient locations, better hours and have less stringent identification requirements.[16] On the latter point, although initial identification requirements may be less onerous, they do make use of fingerprinting to verify customers' identity, a practice that would hardly be considered appropriate for major banks.

The access issues around opening accounts are essentially the same as those around cheque cashing, with the additional proviso that accounts will be denied to people with a history of account-abuse (e.g. issuing NSF cheques or abuse of automatic teller machine (ATM) privileges). Employment status cannot be used as a reason to deny account access as a matter of bank policy. In co-operation with the Canadian Bankers Association, the Canadian banks have agreed to deploy the February 14, 1997 agreement through their corporate policies and practices. Given that this development is relatively new, there is some concern as to whether this deployment has, in fact, occurred at every branch.

As with cheque cashing, the risk of account abuse can be managed in several ways. Restrictions on account usage can still be based on credit evaluations. This is because access to funds that are in the process of clearance is akin to an unsecured line of credit. Withdrawal limits and holds on cheque deposits are methods by which financial institutions manage this credit risk. The great virtue of direct deposit is that it completely eliminates the need for holds because the payment and clearance functions are simultaneous. Likewise, for recipients without accounts, it completely eliminates the need to go through the cumbersome and costly process of cashing cheques.

An important distinction should be drawn between direct deposits that are deposited to individual accounts and those deposited to master accounts of the payer with access privileges to recipients. The latter tend to be more cost effective because of economies of scale and overall reduced account maintenance charges. These options are now being either implemented or considered in Metro Toronto and by the federal government in the United States. The master account option is usually pursued as a means of reaching those who, for whatever reason, are unbanked. (Section 4 discusses these innovations in further detail.)

Purchase of Goods and Services

The purchase of goods and services may also have financial management ramifications for social payment recipients. Low-income recipients may be asked to provide pre-funded methods of payment to cover expenses such as rent. The cost of money orders and certified cheques can

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[15] Interview with Metro Toronto representative

[16] Steven Wolf, "We're a 7-Eleven for Financial Services", *Newsday*, December 4, 1995.

range from $3 to $6, an additional expense that is likely to prove burdensome to low-income recipients.

Some jurisdictions overcome this problem by setting up direct payment between social assistance agencies and goods and service providers. Winnipeg, for example, has a direct payment system with landlords. Similarly, Prince Edward Island covers the cost of heat through direct arrangements with local fuel distributors. The main problem with these mechanisms is that they sever a direct link between the customers and the providers of a service and otherwise limit the choices available to recipients. This may not be a significant issue for homogenous goods like fuel, but may lead to problems in the quality of housing unless the social agency has other mechanisms to ensure market signal get through to suppliers.

Summary of Pros and Cons of Direct Deposit versus Cheques

Exhibit 7 (overleaf) summarizes the key findings to this point of a direct deposit regime compared to a cheque-based system. On balance, a direct deposit regime has considerable advantages over a cheque-based system. The most important advantage relates to considerable efficiencies that flow from combining the payment and clearance functions. A second main benefit is that it encourages recipients, social agencies and financial institutions to find mechanisms to get social payment recipients into low-cost accounts with deposit-taking financial institutions. This allows the recipients to reap the considerable cost and service advantages that are afforded through scale economies and via access to automated teller machines. When these mechanisms are used prudently, a social assistance recipient can achieve speedier and more secure access to their funds at reasonable costs. An additional advantage is that it reduces the stigma that unemployed social payment recipients may feel and brings them into the mainstream systems of money management.

4. Noteworthy Practices in Canada and Abroad

Introduction

There are a number of factors that bear on the nature of the social payment system. These include legal considerations, government and financial institution policies and practices, co-operation between various stakeholders and technological innovations. This section of the report will review recent developments in Canada and abroad with respect to these factors.

The evolution of the Canadian social payment system will depend on innovations within Canada and abroad. Typically, leading jurisdictions will look abroad to identify leading practices. These pioneering jurisdictions will then implement an innovation and thereby act as a social laboratory for other jurisdictions. The followers will then apply those aspects of the innovation that they deem most applicable to their own situation. For instance, Québec is now considering the option of moving to an electronic benefit transfer system along the lines of Metro Toronto (minus the identification aspects, see below). Forecasting the future direction of social payment system in Canada is therefore helped by reviewing developments both in Canada and abroad.

Canadian Developments

Initiatives to Improve Access

Canada has actually been fairly successful at adopting debit card/ATM/point of sale technology. The Bank of International Settlements notes that Canada is second only to Japan in the number of ATM's per capita and that Canada has the highest rate of ATM usage per capita in the world. For social payment recipients to benefit from this technology requires that more of them be incorporated into the deposit-taking institutions. This is why initiatives on improving access are very important in the Canadian context.

Agreements like the February 14, 1997 agreement (above) emerge from a continual process of dialogue between industry representatives, financial institutions and government. The key players in this process have been Option consommateurs, the Taskforce on Churches and Corporate Responsibility, the National Anti-Poverty Organization, the Jane-Finch Community Association (Toronto), the federal Department of Finance, various provincial ministries, and the Canadian Bankers Association.

The importance of the February 14, 1997 agreement on access is that it states a clear policy on access that is now in the process of being deployed through the banking community. Theoretically, this should address many of the concerns of social assistance agencies on access because it strictly forbids the use of credit history and employment as reasons for denying access. The deployment of this policy not only involves reinforcing the policy with front-line staff but also training such staff to be sensitive to social assistance recipients' needs. The Canadian Bankers Association is in the process of conducting training in major urban centres where access has tended to be more of a problem. The centres have been selected to represent a range of

potentially discriminatory situations (e.g. Jane/Finch will focus on dealing with cultural diversity whereas Halifax will focus on serving the unemployed).

Stakeholders have differing opinions on how effective these measures will be at achieving access. Social assistance advocates like Option consommateurs are skeptical that voluntary measures will be effective. To determine effectiveness, Option consommateurs plan "mystery shopping" exercises in 1998 (the CBA has also indicated that it will conduct these exercises to evaluate the effectiveness of their program). If there is evidence that access is being denied in contravention of the new policy, there are likely to be continued calls for the industry agreement to be incorporated into legislation. Social advocates look to practices in France and certain U.S. states (e.g. New York, New Jersey, Minnesota) that either give the government the right to order an institution to open an account or legislate this product. These accounts have essentially the same price structure that already exists for a basic banking package in Canada. Another tack is to call for better disclosure along the lines of the U.S. Community Reinvestment Act.

Consumer Identification and Education

It has already been mentioned that acquiring identification presents a significant challenge to some social assistance recipients. Social payment systems that have moved toward mandatory direct deposit have had to address this issue head-on. Those that have done so (Alberta, Peel, Dartmouth) have generally found that the identification issue can be managed gradually, on a case-by-case basis, as the issue arises. An outcome of getting people into direct deposit bank accounts is a reduced need for continued verification of the person's identity. The person is provided with a signed bank card that is an acceptable form of identification. At any rate, direct deposit would eliminate the need for separate identification to access social payments.

As Canada moves forward with direct deposit, there is an effective role that can be played by government, industry and community groups to facilitate identification and in educating consumers on good banking choices. Non-government social assistance groups in Vancouver have worked actively with the local banking community to provide photo identification for the homeless. The Canadian Banking Association has issued "shopping list" guidelines for choosing the right type of banking services. The Bissell Centre in Edmonton is a good example of a group that has played an active role in understanding and responding to the banking needs of its inner city clients.

Adoption of New Technologies

The adoption of new technologies by the Canadian social payment system has tended to lag behind the overall retail financial sector. The exception has been in the case of smart cards where there has been a slow process of adoption in both the social payment system and the financial services sector. In fact, there have been a number of public sector pilots of smart cards, most notably in the municipal transportation sector (Kingston and Metro Toronto) and the health sector (Québec).

A number of government interviewees indicated the intention of moving forward with smart cards in the health care system. The health care sector in Canada offers an excellent opportunity

to apply smart cards because of the need to co-ordinate physician diagnoses and authorized prescriptions with pharmacies' dispensing. This lends itself to a decentralized information and control system where patient records and physician prescriptions are maintained on a smart card.

Technological innovations are likely to feature in a major overhaul of the Ontario social payment system that will be implemented early in the next century. In an innovative contract with Anderson Consulting, the Ontario government will reimburse Anderson based on its ability to make major cost savings through the application of technology. According to a municipal member of the steering committee, this will most likely lead to some sort of smart card and a biometric identification system being implemented in Ontario in the next 5 to 10 years.

The Metro Toronto Pilot

The case of Metro Toronto warrants some attention because of the way it addresses a variety of issues that emerge when moving to a more technologically sophisticated system for disbursing payments. Since the early 1990's, Metro Toronto has been migrating its welfare caseload to direct deposit. Recently it signed a deal with Citibank that will see the entire system move toward direct deposit. This new system will be piloted beginning in March 1998 and should be fully functional before the end of 1998.

The Metro Toronto pilot combines a number of characteristics of a modern social payment system. For instance, recipients will have the choice of having their payments deposited in their own accounts. Recipients without accounts ("the unbanked") will be provided access to a debit-only sub-account of Metro Toronto's master account with Citibank. They will access their sub-account with a Metro Toronto-Citibank debit card and their own personal identification number. Recipients will be allowed three free withdrawals every month with additional debits being charged at $1 per withdrawal (which is deducted from their next social assistance payment). Clients are being educated on sensible approaches to withdrawals.

The most controversial aspect of the Metro Toronto program is the introduction of biometric identification to minimize fraud. In Metro's thinking, biometric identification is a necessary feature of easy access systems. As with other jurisdictions, Metro Toronto does not have a firm grasp on the amount of welfare fraud that occurs in its system. Based on the implementation of similar systems in the United States, however, it estimates that it will save about $3 million annually in reduced fraud. If this level of saving is achieved, the system will pay for itself in three years.

Not surprisingly, social advocacy and privacy groups are not wildly enthusiastic about the biometric identification system, which they argue has Orwellian overtones and symbolically reinforces the public prejudice that social assistance recipients are somehow deceitful. Metro counters that its biometric identification system has a number of features that satisfy privacy concerns and that it has received the approval of Metro's privacy commissioner. Metro's system uses encryption technology in such a way as to dispense with the need for a permanent record of the client's fingerprint. The recorded encryption is merely compared with a temporarily created current encryption and then the record of the print is destroyed. In focus group testing, Metro

indicated that clients were supportive of the new identification system (80 per cent supported it) because they felt it would help allay public fears that they were defrauding the welfare system.

International Experience

Aspects of Metro Toronto's system are clearly inspired by developments in the United States where biometric programs in New York City and Los Angeles county have reduced case-loads by 9 to 12 per cent. There are essentially two aspects of international developments that are of interest to this report. One is the application of new payment systems in general that may eventually be applied in Canada. The second is innovations in social payment systems that combine security, electronic fund transfer or other features.

Technological Innovation

The point has already been made that innovations in the retail financial markets will eventually influence the social payment system. This is primarily because these innovations inevitably improve the efficiency of the system. But it is also because a practice that gains acceptance among the general population can be introduced to the sub-population of social assistance recipients with a minimum of stigma and by drawing on general familiarity with the use of the new technology.

Interestingly, the adoption of smart cards has been most widespread in Europe.[17] In one sense this is understandable, since smart cards were invented in France about twenty years ago. But consumer acceptance of smart cards in Europe is related to a specific problem with high telecommunication costs.[18] Dutch retailers found that it could cost upwards of $US2.50 to verify a credit card purchase compared to 5 cents cost for a smart card purchase.

In North America there have not been the same incentives to save on the cost of telecommunications, a system the debit card regime uses intensively. The other factor that is holding back smart card adoption in North America is the absence of a dominant standard. American Express, Mastercard and Visa are all piloting versions of smart cards for the North American market.

Developments in the United States

The mere size of the United States social payment regime means that it can reap significant cost savings by piloting its own standard. As part of its 1996 welfare reform, the federal government demanded that all 50 states have electronic benefit transfers in place for food stamps by the year 2002 in order to reduce fraud. This requirement has led to a number of states moving their entire social payment system to electronic benefit transfer. The leaders in this field include Georgia,

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[17] About 90 per cent of smart card sales are in Europe with the Americas and Asia accounting for about 2 per cent each and the rest of the world accounting for 8 per cent.. See: Darrell Dunn, "MCU's Making the Grade In Smart Cards," *Electronic Buyer News*, September 16, 1996, p.E1.

[18] Janet Guyon, "First: Smart Plastic The Future of Money in America?", *Fortune* , November 13, 1997.

Maryland, Missouri, Texas, and Wyoming. The system operates based on a pre-funded master account and points-of-sale access. Each food stamp recipient is provided with a debit card (in Texas it is called a "Lone Star Card") that they can use to purchase approved foodstuffs. A "Western Health Passport" scheme is being developed by the Western Governors Association that will see 25,000 health cards issued to mothers in Wyoming, Nevada and North Dakota for their children's primary health care.

The other major development in the United States has been the movement of all federal payments (including payroll and vendors) to an electronic funds transfer system. This system was motivated by budgetary considerations under the Debt Collection Improvement Act (1996) that was passed by Congress as part of its Omnibus Consolidated Rescissions and Appropriations Act (1996). The U.S. Treasury has estimated that electronic funds transfer will save the federal government more than $100 million in administration and postage costs and reduced fraud. The Treasury calculates that it costs less that 2 cents to issue an electronic payment as opposed to 43 cents for a paper cheque.[19]

The legislation is being implemented in stages through Treasury rules. The first stage began in July 1996 when all new recipients of federal payments were required to receive payment through electronic funds transfer (unless they received a waiver in writing). The second phase, which will be implemented in January 1999, has proved somewhat more challenging. This phase would see those parts of the federal system that had not been put on electronic funds transfer placed on that system.

Exhibit 8: Treasury Disbursed Social Payment Volumes (October 1, 1996 through September 30, 1997)

Payment	Cumulative Volume	Cheque %	Direct Deposit %
Social Security Assistance	531,180,889	35	65
Social Security Insurance	80,591,496	67	33
Veterans Benefits	39,611,423	40	60
Seniors Benefits	28,582,300	24	76
Civil Service Retirement Benefits	9,776,317	36	64

Source: US Treasury Internet Site (http://www.fms.treas.gov/eft/agency/vfy97.html)

At the same time, the debate has opened an opportunity for those advocates of state-sponsored access to financial services to encourage the federal government to play a role in creating accounts for the unbanked. This is a much bigger problem in the United States than in Canada

[19] U.S. Treasury news release, "Treasury Proposal Would Implement 1996 Law Requiring Electronic Payment for Federal Salaries, Social Security, Veterans and Other Benefits" from http://www.fms.treas.gov/treasury/press.

because estimates of the unbanked range upwards of 17 per cent of the adult population (compared to 3 per cent in Canada).[20]

There are some 10 million recipients of federal payments who do not currently have a bank account.[21] The Treasury is piloting a low-cost debit card account for the unbanked (called "Direct Deposit Too") in Texas and Alabama. But this account has faced congressional criticism because of bank charges for account maintenance and withdrawals. Some versions of the accounts will have monthly fees of $3 and further charges of $1 for withdrawals. Others are concerned that recipients will be able to migrate from mainstream banking to government supported accounts. A Treasury ruling on these issues is expected early in 1998.

Developments Elsewhere

There are a wide variety of different examples of using new banking technology to reach social payment recipients. The public policy issues tend to revolve around which technologies will be adopted, how the systems will ensure privacy and to what extent they are mandatory or voluntary.

Exhibit 9: International Comparisons of Direct Deposit Practices

Country	Estimates of Unbanked %	System Notes
Australia	2.6	mandatory direct deposit scheme
Canada	3	gradually moving to direct deposit mostly on a voluntary basis
United Kingdom	n/a	currently only 10 per cent of social benefits are paid through electronic funds transfers but plans on moving to mandatory system early in next century.
United States of America	17	moving to direct deposit on a mandatory basis

Sources: Supriya Singh "Banking Deregulation and Its Effects on Australian Consumers-The Policy Debate, *Journal of Consumer Policy* Vol 15 (1992) p.p. 47-67; Interview with UK Department of Social Security. Footnote 18. It should be noted that these estimates are meant to be indicative and are not strictly comparable because they are derived from different sources.

[20] Based on G. Garwood, "New Challenges and New Benefits in the US"in J. Mitchell (ed.) *The Consumer and Financial Services: New Horizons* (Lowain-la-Neuve: Centre de Droit de la Consommation, 1990), and previously cited Environics research for Canada.

[21] "EFT '99 Plan: D'Amato Rails at Possibilities," *CBA Reports* , June 1997, p.2.

Australia, for example has had a mandatory direct deposit scheme for some years. The public policy debate there tends to revolve around the issue of lack of choice for social assistance recipients and the pricing of banking services.[22] An Australian expert pointed out the stigma associated with having a banking relationship that is only based on withdrawals and the tendency to distribute funds electronically to the male of the household.

Not surprisingly, Europe has been at the forefront of applying banking technology to its public systems. One of the pioneers has been Finland who operates a government-sponsored direct withdrawal scheme for its retirement benefits.[23] Spain has moved it social assistance payments to direct deposit but also has implemented smart cards. Recipients can use their smart card to access and download a wide variety of government services at 1,500 kiosks, including the status of their state pensions and unemployment benefits. The European Commission is now investigating the viability of a European identity smart card that would combine a driver's license, social security card, passport and, optionally, a bank card.[24] The U.K. has indicated that it is not interested in being part of the European scheme for privacy reasons.

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[22] Submissions to the Wallis Inquiry on the financial sector in Australia by The Good Shepherd Youth & Family Service; The Australian Consumers' Association ;The Department of Social Security.See http://www.treasury.gov.au/fsi/.

[23] "Bar-coding the Poor," *The Economist*, Vol 342 (January 25, 1997).

[24] Newsbyte News Network, "Europe Multi-Function Smart Card Proposed by EC," January 27, 1997. http://www.elibrary.com.

5. Conclusion

The issue of social payment disbursement systems is highly contentious in that it raises concerns around the role of technology, attitudes to social payment recipients, access to basic banking services and the inherent conflict between fraud prevention and individual privacy. Moreover, the debate tends to be characterized by a high level of rhetoric and anecdotal evidence. This report has attempted to separate some basic facts from the anecdotes, yet there remains much grey area.

Reflecting on international experience actually puts Canada in a fairly good light in that Canada has been successful at migrating many of its social payments into the preferable system of direct deposits through voluntary measures. The United States is now going through a very challenging process of implementing mandatory direct deposits at the federal level. This difficult process has been made tougher because the U.S. has a much higher level of unbanked social payment recipients than does Canada. Canada's market mechanisms have been relatively efficient at providing the vast majority of social payment recipients with good, low-cost banking services, making the voluntary migration of recipients into direct deposit an easier process.

Although these conclusions are generally true for Canada, there are cases where access has been denied, where there are pockets of unbanked and incidences of slow adoption of new technology by the social payment agencies. The February 14, 1997 agreement is a positive step to address many of the access issues. Its ultimate success depends on systematic deployment through deposit-taking financial institutions, through management reinforcement and training of front-line staff. It will be important to be vigilant in following up on these measures to ensure that the new policy is, in fact, deployed. A reasonably open-access deposit-taking sector is a necessary prerequisite for widespread, voluntary implementation of technological innovations that improve the situation for all stakeholders.

Beyond the financial institutions, there are important roles for government and social service organizations. Some governments have been slow to adopt direct deposit and thereby realize the cost savings and higher levels of client service that go with this. Moreover, governments that move into direct deposit have actually addressed issues of access and client education in the process. Social assistance organizations also have a key role to play both in the ongoing dialogue with governments and financial institutions and in educating clients on sensible financial choices and current banking technology.

Appendix A: Telephone Interview Participants

Client Advocates and Services

Beth Brown
Daily Bread Foodbank
Toronto

Jacques St. Amant
Option consommateurs
Montreal

Bonnie Hoffer-Steiman
Social Policy Researcher
Winnipeg

Duke Stregger
Credit Counselling Services of Metro Toronto
Toronto

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Local Anti-Poverty Organization
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Charlottetown

Bob Roubichaud
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Income Security Division
Department of Human Resources Development
Government of New Brunswick
Fredericton

Dick Stewart
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Regional Municipality of Ottawa-Carleton

Russ Stewart
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Community and Social Services: Halifax Region
Government of Nova Scotia
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Roberta Hague
Director, Retail Deposit
ScotiaBank

Linda Routledge
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Canadian Bankers Association

Debora Wightman
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Moving to a Mandatory Direct Deposit Scheme: The Case of Alberta

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1. Introduction

In its June 1997 discussion paper, the Task Force on the Future of the Canadian Financial Services Sector indicated that it would consider a range of issues pertaining to access to basic banking services. Access is especially important for low-income Canadians who may not be the most profitable customers for financial institutions. Access to basic banking services has taken even greater importance given the gradual movement in Canada to disbursing social payments through direct deposit.

The movement toward disbursing social payments through direct deposit was highlighted in a previous Grant Insights report to the Task Force entitled, *Canada's Social Payment Disbursement System and the Financial Services Sector* (February 1998). That report noted that there were a number of jurisdictions in Canada which were taking leadership on the movement to direct deposit, most notably, the federal government, the province of Alberta and a number of municipalities in Ontario. It also highlighted a wide variety of practices with regard to the degree of standard (i.e. mandatory versus voluntary).

The initial report had a broad and strategic perspective and did not lend itself to exploring the practical aspects of a movement to a mandatory direct deposit scheme.[1] By considering a specific case of a jurisdiction that has recently moved to a direct deposit standard, it was hoped that these practical considerations might be considered. As such, this report will consider the specific case of Alberta, which moved to a direct deposit standard in July 1997. As with the earlier report, this report will rely heavily on interviews with the various stakeholders (see Appendix 1).

A review of the Alberta experience will test some of the principles developed in the initial report. One principle is that a direct deposit offers the opportunity to, theoretically, make all key stakeholders better off without anyone being made worse off (in economist's jargon the scheme should be Pareto optimal). Direct deposit significantly reduces administration costs and improves the reliability of the payments system through the use of information technology. In the case of Alberta, savings were estimated as 60 cents per payment or about $500 thousand annually from transferring the major social payment programs to direct deposit. These savings and associated efficiencies should allow clients, taxpayers, the financial services sector and government to be made better off. This report will explore the extent to which this has been the case. This assessment will depend on access, systems issues (prices and account restrictions) and consumer choices.

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[1] "Mandatory" should be interpreted with caution, particularly with respect to social payment systems. In actual fact, all Canadian social payment direct deposit schemes have a voluntary aspect to them as they allow exclusions for those who for practical (or even philosophical) reasons choose not to receive their payments by direct deposit. Mandatory, as used here, refers to the extent to the degree of voluntarism.

2. Background

There are three main social payment programs that were the target of Alberta's move to mandatory direct deposit in July 1997. These programs are administered by Alberta Family and Social Services (AFSS, see Table 1):

1. Supports for Independence (SFI) : an income support program for the long term unemployed

2. Assured Income for the Severely Handicapped (AISH): an income support program for handicapped Albertans who are unable to work

3. Widows' Pension

Prior to instituting direct deposit, Alberta had gained some prominence for its 1993 reform of social assistance. The thrust of these reforms was to significantly curtail the amount spent on social assistance by encouraging greater self-sufficiency through employment for able-bodied recipients.[2] SFI accounts for about 80 per cent of total social payment spending and was the main target for the 1993 reforms.[3] The principal changes applied to direct supports for single people who were considered employable.

These policy changes are reflected in budget numbers. The total budget of AFSS fell by over 21 per cent between fiscal 1992/93 and 1994/95. Meanwhile, funding for income support for employable singles fell by over 45 per cent. This resulted in total SFI expenditures declining from almost $900 million in 1992/93 to about $550 million today. Simultaneously, the employment programs budget was increased, tripling to $30 million between 1992/93 and 1995/96.

Alberta's welfare reforms have been successful in getting low-income people off social assistance, a process that has been further facilitated by Alberta's booming economy. Consequently, Alberta's welfare caseloads have been reduced significantly, from over 90 thousand in 1993 to just under 38 thousand today. However, those that remain on welfare face tighter eligibility requirements and may face reduced payments. The standard allowance for a single employable person is $229/month supplemented by a maximum shelter allowance of $168/month for a single person unit. These benefit levels mean that recipients will tend to require access to their entire monthly social payment. In addition, SFI recipients are provided with an Alberta Health Card that provides access to free health care.

The distribution of SFI recipients is heavily concentrated in and around the major urban centres. Alberta Family and Social Services statistics show that about 75 per cent of SFI recipients are located in the administrative regions of Edmonton and Calgary.

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[2] For a useful analysis of these reforms see: Kenneth Boesenkool, *Back to Work: Learning from the Alberta Welfare Experiment* (Toronto: CD Howe Institute, 1997).

[3] These figures are based on Alberta Family and Social Services statistics that were cited in: Canada West Foundation, *Issues and Options for Change: Social Services for the 21st Century* (Calgary: Canada West Foundation, 1997).

3. The Social Payment System Prior to July 1997

The notion of extending direct deposit to social payments had been discussed since the early 1990's when the option was offered to Alberta government employees. In the mid-1990's, Alberta government employees were migrated to a mandatory direct deposit scheme and direct deposit was offered to social payment recipients in March 1995. As with other schemes in Canada, direct deposit was initially implemented on a voluntary basis. Adoption depended on government advertising through mailings with social payment cheques. In some cases, financial institutions would distribute the government literature on direct deposit through their branches. However, there was no formal marketing co-operation between the government and the financial services sector. AFSS caseworkers also actively encouraged social payment recipients to move to direct deposit and AFSS developed a direct deposit form for this purpose.

These efforts led to some initial success in migrating people from cheques to direct deposit. Table 1 shows that by July 1997, almost 90 per cent of Widows' Pensions, 63 per cent of AISH and 46 per cent of SFI recipients were being served through direct deposit.

Table 1: Social Payment Programs in Alberta, July 1997

	Supports for Independence	Assured Income for the Severely Handicapped	Widows' Pension	Totals
Clients	39,400	21,000	2,700	63,100
Served by cheques	20,900	7,800	300	29,000
Served by direct deposit	18,100	13,200	2,400	33,700
Benefits (1996/97, $ millions)	379	165	5	549

Note: SFI payments include about 400 one-time payments per month that are done through cheque.

Source: Alberta Family and Social Services

As over half of SFI recipients were still being served by cheque prior to the move to mandatory direct deposit, the social payment system had developed a number of mechanisms to manage the processing of cheque payments. For instance, there had been successive 5-year indemnification agreements between the Alberta government and various deposit-taking financial institutions[4].

Identification

Prior to issuing a payment, AFSS requires the recipient to show two pieces of identification. Most recipients will have this identification in the form of a social insurance card and a health card. For those lacking this identification, AFSS would create a temporary identification supported by an endorsed Polaroid photo that was filed at the district office.

As part of the indemnification agreements, a signature verification form was developed as a piece of AFSS-verified identification. The form would be kept on record at a branch where a recipient would go to cash their monthly cheque. The form would be used to verify the identity of the recipient. This would typically involve comparing the signature on record with the endorsed cheque. However, there was also a provision for those who, for reasons of handicap or illiteracy, were unable to endorse the cheque through signature. In this case, a code word was recorded on the form and the recipient would be required to state this code as a means of endorsing the cheque.

The use of the signature verification form would vary a great deal depending on the district and the identification needs of the clients. For instance, in Calgary-Kensington only 1 to 2 per cent of the caseload now requires signature verification forms because of lack of appropriate identification. However, these forms tend to be concentrated at particular branches that are adjacent to AFSS district offices. A financial industry representative noted that a branch in central Calgary would have up to 2 thousand forms on file, of which only about 1 thousand would be active at any time. This presented some administrative burden for the branch.

Another factor that facilitated cheque-cashing, and ultimately the move to direct deposit, was other province-issued identification. For instance, unlike in other provinces, the Alberta Health Card can be used as identification with financial institutions. Alberta Registries has also developed a photo identification that is akin to an Alberta driver's license. Industry reaction to this identification has been mixed—some institutions have had no problems whereas others are concerned about due diligence in issuing this identification. Those that are concerned have treated the identification as secondary identification to be supported by two other pieces of secondary identification.

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[4] This agreement was recently renewed for a term of only one year as there were a number of outstanding issues that were not resolved to the satisfaction of the financial institutions.

Financial Institutions' Policy and Practices

Prior to the July 1997 mandatory direct deposit announcement, there were a number of developments in the industry that would have implications for the success of the policy. There was already an extensive branch network in the province. The major banks would typically have approximately 100 branches each in the province, about half of which would be located in and around Calgary and Edmonton. So branch concentrations were very similar to concentrations of clients. In addition, the Alberta Treasury Branches had a network of branches in more remote areas, often attached to gasoline stations or grocery stores. In total, there are over 600 branches of deposit-taking institutions in Alberta.[5]

There was also some movement toward harmonizing standards and developing basic banking products. The Canadian Bankers Association's (CBA's) February 1997 agreement on identification had an impact on harmonizing banks' identification requirements for opening accounts.[6] In addition, the normal review of bank products led to a number of basic banking products being introduced by the industry. For instance, the Bank of Nova Scotia developed a product with no minimum balance and two free monthly withdrawals. The Bank of Montreal's FirstBank Chequing account also allowed two free electronic withdrawals per month. The development of these products increased the probability that social assistance recipients could be migrated to a direct deposit scheme without incurring major service charges.

The CBA policy has been most effective in harmonizing standards on identification in Alberta. This policy depends on effective deployment by the individual financial institutions, which has definitely been occurring in Alberta. Nonetheless, there remains a significant amount of difference in practices between financial institutions (and even between branches of any one financial institution) on other non-identification issues that ultimately have a bearing on access.

The two major issues are restrictions on account access and service charges. For instance, as a matter of policy, at least three financial institutions (CIBC, Hong Kong Bank of Canada and Alberta Treasury Branches) place restrictions on accessing cash through Automated Bank Machines (ABM's). Typically this will involve setting a $100 limit on bank withdrawals. These may be further restricted by the policies of particular branches that may be more conservative in managing risk for any number of reasons. For instance, in one case, an Alberta government official noted that a branch had placed a $20 withdrawal limit on use of the ABM machine. The Royal Bank of Canada indicated that it has taken steps to reduce the discretion of local managers to place these types of restrictions on access.

There are a variety of reasons why a financial institution may place this type of restriction on access through an ABM machine. For instance, there may be times when the verified cash balance may not be able to be distinguished from payments in process because the system is down for maintenance or is otherwise incapacitated for technical reasons. For customers with a banking history, this is no problem because, if they overdraw, the financial institution will recoup

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[5] Based on an estimate of an industry representative.

[6] It should be noted that the Alberta Treasury Branches and Canada Trust are not a member of the Canadian Bankers Association but were part of the indemnification agreement.

the overdrawn amount and apply overdrawn charges. For social assistance recipients with no banking history, this apparently presents a different level of risk. However, excessive restrictions on ABM access may simply be the matter of prejudicial or paternalistic attitudes expressing themselves through corporate or (more likely) local policies and practices.

This issue is related to that of product pricing.[7] The financial sector is wisely moving toward a system where customers who require simple cash dispensing are migrated to the low-cost part of that system, namely ABM's. This is supported by a pricing regime that increasingly features higher charges for teller services. There is also a tendency to offer transaction discounts to customers who maintain minimum monthly balances. Moreover, there is anecdotal evidence that administration charges have been levied for opening an account and that minimum monthly balances have been required.

Another system issue emerges from ABM dispensing standards. These standards vary significantly from institution to institution. For instance, Royal Bank of Canada's ABM's dispense in $5 increments compared to the Bank of Montreal's $20 increments. Either way, a recipient who requires the full amount of their monthly payment may end up incurring higher service charges. For instance, if an SFI payment is $483, a recipient would be able to withdrawal $480 from the ABM and then $3 from a customer service representative (who used to be called a teller, but now offers more services at a higher price). This situation may result in the recipient going through two stages to process one payment, thereby either using up two free withdrawals or immediately incurring additional service charges.

Recipient Cheque-Cashing Choices

These issues of standards, policies and practices are important because they may mean that some recipients could be worse off with a move to direct deposit. Chart 1 shows the habits of social payment recipients who received payment by cheque prior to the new policy. Over 87 per cent of those who continued to receive cheques cashed them at a financial institution. There is anecdotal evidence that some financial institutions would charge to have these cheques cashed if a person did not have an account. However, the common practice would appear to be what it was in the rest of Canada—financial institutions would not charge to cash cheques if proper identification was presented to verify the recipient's identity.

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[7] See: Grant Insights, *Canada's Social Payment Disbursement System and the Financial Services Sector*, A Research Paper Prepared for the Task Force on the Future of the Canadian Financial Services Sector, September 1998, Exhibit 6. This report looked in some detail at the pricing of basic banking products. The comparison focused on these products with cheque-cashing institutions like MoneyMarts. Deposit-taking institutions do very well in this type of comparison. But AFSS statistics show that relatively few recipients were choosing this option prior to the movement to direct deposit. Therefore, some recipients may have been incurring lower service charges under the cheque system if they cashed their cheques at financial institutions.

Chart 1: Cheque-Cashing Choices of Social Payment Recipients Prior to July 1997 Announcement

Source: Alberta Family and Social Services

Obviously, direct deposit offers a number of convenience and security advantages that are not available under a cheque system. However, for recipients who require the entire amount of their payment and have a preference for holding cash, certain industry policies and practices on accessing cash through accounts may make them worse off.

To some extent, this situation can be ameliorated through sensible banking choices because the market offers accounts that have liberal access policies and no charges for two withdrawals. For example, the Bank of Nova Scotia has a $1000 limit on ABM withdrawals and its two free withdrawals apply equally to ABM and in-branch withdrawals.

Yet many social assistance customers lack the ability to sort through the various pricing options. Banking choices tend to be made based on location. There is anecdotal evidence that some staff in branches have been very forthcoming in explaining these options, but it is difficult to say how effective this informal education has been. As the next section will argue, there is considerable scope to improve the working relationship between the government, the industry and social agencies to ensure that clients are, in fact, likely to be reap the full benefits of the direct deposit system.

4. The Policy Formulation and Implementation Process

There is considerable agreement among all the interviewees that the process of policy formulation and implementation might have benefited from greater consultation prior to the policy announcement being made. Although moving to a mandatory direct deposit scheme had been mooted for some time, there was no prior consultation or planning with either the financial services sector or non-government client advocacy groups prior to the July 1997 announcement.

The policy was driven primarily within the Alberta Finance Department, in consultation with Alberta Family and Social Services (AFSS) and Alberta Treasury. Finance was intrigued by the significantly reduced costs of the direct deposit scheme. It was estimated that the government (or more precisely, the taxpayers) would save about $500 thousand dollars annually by fully implementing a direct deposit scheme for SFI, AISH and Widows' Pension.[8] Direct deposit would be about 60 cents per payment cheaper than cheques.

AFSS was interested in the greater security and reduced indemnification. Prior to direct deposit, there were about 150 cheques per month that required a time-consuming process of indemnification because of cheques being lost or stolen. In addition, senior management at AFSS had a vision of eventually moving the client base along to other information technologies as they emerged. For instance, early in the next century, they anticipate that Alberta social assistance recipients will use a smart card that will combine health and income support information. Direct deposit was seen as a means of integrating the client base into mainstream banking services and getting them familiar with using debit card technology. Caseworkers liked the idea of having clients interacting with mainstream institutions as part of a broader strategy of re-integrating clients into society.

These reasons formed the basis for moving forward with a recommendation to AFSS Minister Lyle Oberg. Although previous Ministers had also been presented with this option, Minister Oberg had a reputation for taking decisive action when the policy rationale was sound. Interestingly, the political selling of the mandatory scheme also hinged on reducing that portion of payments that were being used to pay the service fees of cheque-cashing institutions. Indeed, the press release announcing the policy explicitly mentions these institutions as a target of the policy. AFSS estimated that about $18 thousand a month was being paid by social assistance recipients using cheque-cashing institutions.

[8] Government of Alberta, "Direct Deposit System Comes Into Full Operation for Social Services Recipients", July 23, 1997 News Release.

Policy Implementation

Government-Industry Co-operation

Although the policy had a sound rationale, the lack of planning may have weakened the implementation of the scheme. After the announcement, a meeting was held between government officials, the Canadian Bankers Association and financial institutions. This meeting was designed to address a number of practical concerns that government officials and the financial services industry had on the specifics of implementation. Inasmuch as there was already a government-industry dialogue (in relation to the indemnification agreement) it was relatively easy to call together the key players for a discussion on direct deposit. However, there was a number of challenging issues, several of which remain unresolved.

Although the policy announcement left the impression that all recipients would be migrated to direct deposit between August 1997 and November 1997, in fact government officials only expected about 70 per cent of the total social payment caseload to be on direct deposit by this time. Coverage was not likely to be complete because the policy included a number of exclusions (Exhibit 2). Based on the caseloads at the time, and the percentage of those being served through cheque (see Table 1), the Ministry effectively expected about 10 thousand people to be put on direct deposit in this time. (In the event, over 90 per cent of the caseload have been placed on direct deposit by February 1998, an increase of about 25 thousand people).

The main concern of the industry was the sudden increased demand for accounts among a target group who may not have had a banking history. Given the rates of adoption under the voluntary scheme, most of the new entrants into the program would be drawn from the SFI caseload. There was no way of knowing how many of these people already had a bank account or a bank history. These factors would be important in determining the ease with which people could be provided with accounts.

One institution tried to estimate the unbanked from its experience with signature verification forms. It estimated, for instance, that about 1,000 of 1,300 AFSS clients who used its downtown branch would require bank accounts. The representative guessed that the number was relatively high in this case because the clients "didn't have a need for a bank account because they operated in cash". Across the whole system it was impossible to determine with any accuracy how many of the 29 thousand people who were being served through cheques would require bank accounts. It was difficult, therefore, for the financial institutions to plan any additional resourcing requirements that may have resulted from a rapid movement to a mandatory standard.

Other issues that emerged in these discussions related to specific bank policies and practices. The CBA's February 1997 agreement on identification facilitated the discussion around bank identification requirements to open an account. This policy was already well entrenched and had been effectively deployed through the major banks. It was agreed that the financial institutions would not be expected to relax any conditions for access to an account. This included retaining their right to deny accounts to those people who had a history of account abuse or who had a poor credit history.

It was further agreed that the financial institutions would provide AFSS with documentation outlining their key policies and processes for opening an account before the end of August 1997. Exhibit 1, outlines the type of information provided by the financial institutions to AFSS. This information was ultimately incorporate into the policy manual that was used by AFSS caseworkers to explain the new system to their clients. It was hoped that this information would improve the transparency of financial institutions policies and practices and therefore help the caseworker inform their clients and, if need be, intervene on their behalf in cases where an account was denied in contravention to stated policy.

Alberta Treasury and AFSS were interested in exploring ways to deal with complaints from clients on account access. Although the financial institutions had agreed to provide a contact name, this person was only to be contacted in special circumstances and was not to be considered as an ombudsman for the institution. Rather, the industry suggested that any problems should be dealt with on a case-by-case basis at the branch level.

Government departments expressed concern about clients running up service charges and therefore reducing their net payment. At an early stage in the discussions, the government offered to pay services charges for the first year (later reduced to six months). However, the industry replied that it would not be feasible to calculate service charges on individual accounts and then invoice the government for these charges, so the idea was dropped. Alberta Treasury also approached its agent, the Canadian Imperial Bank of Commerce (CIBC), about the possibility of establishing a master account for social assistance recipients who were rejected for accounts. (There is a precedent, as this is effectively how Metro Toronto's system will work with Citibank). According to Alberta Treasury, this was rejected as not being feasible because it would require setting up a new system as opposed to using the existing account system. However, CIBC indicated that the main concern was about stigmatizing clients by setting up a separate system.

Exhibit 1: Information Provided By Financial Institutions to Alberta Family and Social Services

Details of the basic accounts and related services
Procedure for opening accounts (e.g. appointment required)
Identification requirements
Service charges on basic accounts
Account and/or automated bank machine restrictions
Withdrawal limits on accounts
Contact name and telephone number of financial institution representative

Source: Alberta Family and Social Services

Alberta Family and Social Services Implementation

By September 1997, Alberta Family and Social Services put together a manual to guide caseworkers on the new system of direct deposit. This manual included a process map on the timing of cheque payments in relation to direct deposit; documents on communications with the

client; a list of exemptions; changes in client processing procedures; questions and answers and the previously-mentioned information that was provided by financial institutions.

Exhibit 2 outlines the main exemptions to the new policy. The exemptions would require both substantiation and an approval authority. The first three levels of exemption (garnisheed accounts, unable to manage an account and geographic remoteness) could be substantiated fairly easily and were left to the caseworker to decide.[9] The other two exemptions depended on deeper evaluation and a higher authority based on special circumstances or a client's refusal to obtain a bank account for personal reasons. The only disciplinary measure that a caseworker can take for recalcitrant clients is to note that payments will be delayed by 2 to 3 days if the client chooses to remain on cheque. Given the clients urgent need for cash, this delay has proved sufficient incentive for most of them to choose direct deposit. The exemption has, in fact, only been applied in about 5-10 per cent of the cases, usually because of garnishee, incapacitation or poor credit history.

A priori, it was expected that caseworkers might intervene on a client's behalf if they were denied an account by a financial institution. In practice, the exemption codes have been used as a way to manage this situation. Caseworkers are simply too busy to manage access to accounts much less the effective use of accounts to avoid excessive service charges. The main role of the caseworker is to encourage the client to open an account and to obtain suitable identification as specified in the information provided by the financial institutions.

Exhibit 2: Exemptions to the Direct Deposit Policy

Level	Description	Substantiation	Authority
1	Garnisheed account	Court order	Caseworker
2	Unable to manage an account	File documentation	Caseworker
3	Remote area	File documentation	Caseworker
4	Special circumstances (e.g. client unable to get an account)	Letter from financial institution	District manager
5	Client refuses to get an account	Written notice from client	District manager

Source: Alberta Family and Social Services internal documents

[9] The previous report distinguished between garnishee and seizure of funds pursuant to a court order. The exemption described here is most likely seizure of funds. However, the term "garnishee" is used because this is the terminology used in AFSS policy documents.

5. Evaluation

When asked how they would know whether the mandatory direct deposit scheme would be successful, government officials replied that this would be judged based on the adoption rates and the number of exclusions granted. In this regard, the policy has clearly been an overwhelming success. Table 2 compares current adoption rates with those that existed before the policy was instituted in July 1997. As indicated, AFSS was hopeful to have adoption rates of around 70 per cent by December 1997, whereas adoption rates now exceed 90 per cent.

Adoption rates have been high for a number of reasons. AFSS caseworkers actively encouraged recipients to sign up for the program. Although there have been incidences of people being denied accounts, the main experience has been that people have been able to acquire sufficient identification and, indeed, have been provided with accounts. The exemption policy has actually been applied in relatively few cases and primarily for reasons of inability to manage an account, risk of garnishee or poor credit history.

Alberta's extensive system and location of branches also facilitated the movement to direct deposit. The vast majority of cases are in the Edmonton and Calgary region, both of which are well served by branches. This perhaps explains why financial institutions' fears of absorbing new clients did not materialize. Certainly some branches noticed a slight increase in the demand for accounts but this did not prove to require any additional branch resources. Even given the tight timelines for implementation, there was clearly sufficient capacity in the system to absorb 25 thousand additional clients over 6 months. In the event, the branch work load actually declined once the initial period of setting up accounts for the unbanked was completed and they began to use ATM's to access their cash.

Table 2: Social Payment Direct Deposit Adoption Rates, Per cent of Total Payments

	Supports for Independence and Assured Income for the Severely Handicapped	Widows' Pension
July '97	51.8	88.9
Oct. '97	69.3	96.4
Nov. '97	86.0	97.9
Dec. '97	92.3	99.1
Jan. '98	92.1	99.2
Feb. '98	92.4	99.6

Source: Alberta Family and Social Services

Caseworkers are generally happy with the movement to direct deposit for reasons indicated previously (i.e. social integration, less administration). Both AFSS and the financial institutions have benefited from significantly fewer lost or stolen cheques. Indemnification of cheques has

been reduced from about 150 per month down to 15. This has greatly reduced the administration burden on caseworkers and clients who have to file a number of reports in these cases. Financial institutions were often left holding cheques that were in the process of being cleared but which had stop payment orders attached to them. Some stop-payment cheques were not covered by the indemnification agreement.

Non-government organizations (NGO's) are generally happy with the use of the exemption policy. In cases of severe mental handicap or substance abuse, exemptions have been used to allow NGO's to maintain a trust-like relationship with their clients. In these situations, a client will endorse a cheque over to the NGO and the organization will play an active role in managing funds. The only concern is in situations where this formal relationship does not exist. Direct deposit has increased the speed with which recipients receive their payments. For some recipients with poor money management skills, this has simply speeded up the rate at which they exhaust their monthly payment.

This is one area where the NGO's would liked to have seen an improvement in the implementation of the new regime. Some, like the Bissell Centre in Edmonton, had experience in assisting clients in getting accounts and in basic money management. For instance, in the early 1990's the Bissell Centre had a relationship with the main branch of the CIBC in Edmonton whereby CIBC representatives would come down once a month to the Centre to assist people to open bank accounts. These accounts were restrictive in terms of withdrawals but had no administration fees and no minimum balances requirements. The understanding was that, once a client had developed a good banking history, additional account privileges would be granted. Some 350 accounts were opened in this way.

The Bissell Centre was very happy with this arrangement as it helped them understand and address the money management needs of their clients (in fact, they have produced a report on this issue).[10] They also felt that it helped the bankers better understand their clients, so there was a two-way education process. However, this arrangement depended on the goodwill of the local branch manager. This manager was subsequently moved to another location and the program ended.

The great unknown about the current system is whether the clients are actually better off. Part of the issue relates to bank policies and practices on account restrictions and services charges. A second part relates to clients making good banking choices. AFSS clearly felt that clients' use of cheque-cashing institutions was a bad banking choice. Given the large discrepancy in the prices of cheque-cashing institutions and financial institutions, it is highly unlikely that those clients who were using cheque-cashing institutions are worse off under the direct deposit regime.

Yet the vast majority of customers were cashing their cheques at financial institutions and not incurring charges. They may, in fact, have no need for a bank account and therefore be paying for a service that is not required. In the absence of data on the preferences and banking habits of clients, there is no way of testing the validity this proposition. It is possible to say, however, that

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[10] Scott Smillie, *Banking and Money Management: A Needs Assessment of the Inner City Agency Clients* (Edmonton: Bissell Centre, 1990).

greater co-operation between service agencies, the government and the financial institutions would have gone some way to minimize the number of customers who may be worse off under the direct deposit system.

The current system is being managed through compliance, complaints and exclusions. Not surprisingly, there have been relatively few complaints given the nature of the client base. Companies with sophisticated customers understand that a complaint-driven system is not an optimal way to manage customer satisfaction because most customers (particularly polite Canadian customers) do not tend to complain. Customers tend to switch providers based on market information. Some social payment recipients may simply lack the economic literacy to make these same choices or may be restricted from having choices made available because of their diminished circumstances.

Perhaps surprisingly, the relationship between the industry and the government has also not been as productive as expected. Although generally happy with the move to direct deposit, the industry has expressed concern about the lack of prior planning. The government, for its part, has been disappointed with the willingness of the industry to show greater flexibility in its policies and practices to accommodate the move to direct deposit.

Key Success Factors

There are a number of lessons from the Alberta experience on mandatory direct deposit. These can be summarized as follows:

1. *Understand the needs of different payment segments*: the cost and administration case for moving to direct deposit is so compelling that government may lose sight of the needs of specific segments of their payments system. Simply put, extending direct deposit to seniors is very different from extending it to social assistance recipients. In the latter case, clients may not have a banking history to facilitate movement to direct deposit. Moreover, they may need very minimal banking services and therefore may not be made better off by a system that forces them to consume, be constrained by, and pay for individual accounts.

2. *Work effectively with stakeholders to manage the transition*: there are choices in the market place that would ensure that clients would be equally well off under the direct deposit regime. However, a lack of economic literacy may act as a barrier to them making sensible choices. Co-operation between government, the social agencies and the financial industry might help improve economic literacy. Also, there could be greater co-operation between these parties to ensure that basic banking products are made available and accessible. Improved consultation prior to the policy being announced may have addressed some of these issues.

3. *Develop the trust of front line workers*: the relationship between social assistance recipients and front line is based on trust, either informally or legally. It is important to have these people understand and trust the new system so that they will encourage clients to use it.

4. *Have sensible policies on exceptions*: Alberta has shown that even a mandatory system requires exceptions for special circumstances. Caseworkers and district managers need an implementation framework that empowers them to respond to special circumstances. These circumstances are likely to occur in situations where a client is unable to manage a bank account or risks garnishee. Some district offices have a significant part of their caseload that is transient and these clients are best served through cheques. When used sensibly, exceptions policies build the trust of front line workers and do not significantly reduce adoption rates.

6. Outstanding Issues and Planned Improvements

Although generally considered a success, there remain a number of outstanding issues and planned improvements to the Alberta system. Minister Oberg has asked AFSS to look into the implications of removing the open-ended exclusion whereby a client can simply write a note to say they are against getting an account for personal reasons. The legal point of contention here is whether a client can be denied payment for refusing to open an account. The issue hinges on whether the province's Social Development Act allows AFSS to deny payment in these circumstances.

The provincial government, through the Alberta Treasury department, is continuing to work on improving access. There are two initiatives here. The Treasury continues to explore the possibility of creating separate "products" for those clients who are unable to get accounts. Initially, this will be targeted at those clients that are being served by cheques for fear of garnishee. The Treasury is now exploring the possibility of establishing a master account (under its overall banking relationship with its agent) under which these clients would have withdrawal privileges.

Finally, senior management of AFSS are keen on adopting other information technologies to more effectively manage their social service obligations. The direct deposit scheme is seen as the first step toward a system of smart cards that will contain a wider range of client information and thereby greater potential for automating payment and verification processes. These developments await the outcome of industry piloting of smart cards that is now occurring in a number of centres in North America. This piloting will ultimately determine industry standards on smart cards that will set a context for Alberta's choices.

Appendix 1: Interview Participants

Financial Services Industry

Jennifer Fisk
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Canadian Bankers Association
Calgary

Charlotte Robb
Regional Vice President
CIBC
Edmonton

Kevin Sandquist
Vice President
Bank of Nova Scotia
Edmonton

Mark Lindley
Royal Bank of Canada
Calgary

Willis Kereliuk
Manager, Branch Operations
Bank of Montreal
Calgary

Government

Vasant Chotai
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Assured Support Programs
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Rudi Hoehn
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Colleen Kroening
Manager, Banking Arrangements Finance
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Alnoor Rajan
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Alberta Family and Social Services
Edmonton

Joanne Towers
District Office Manager
Alberta Family and Social Services
Calgary-Kensington District Office
Calgary

Frank Symons
Assistant District Manager
Alberta Family and Social Services
Calgary-Kensington District Office
Calgary

Client Groups

Scott Smilie
Bissell Centre
Edmonton

Michael Cairns
Boil Street Co-op
Edmonton

Glen Delance
Edmonton People in Need
Edmonton